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Chairman: Mr. Richard M. AKWEI (Ghana).

AGENDA ITEM 34

United Nations Conference on Trade and Development (A/7176/Rev.2, A/7203/Add.1, A/7214, A/7256, TD/97, TD/L.37/Add.11):

- (a) Report of the Conference on its second session;
- (b) Report of the Trade and Development Board

1. Mr. PREBISCH (Secretary-General, United Nations Conference on Trade and Development) said that, while the second session of the United Nations Conference on Trade and Development (UNCTAD), which was held at New Delhi from 1 February to 29 March 1968, had led to a better understanding of development problems, its positive results had been limited. Participating delegations had recognized the importance of using the permanent machinery for dealing with the many problems connected with commodities, preferences, supplementary financing, etc.

2. The conclusion of the International Sugar Agreement after difficult negotiations had helped to bring order out of chaos in the international sugar market. The problem of access to markets remained, however, and UNCTAD was prepared to continue working with the International Sugar Council in seeking a solution. He hoped that it would be possible to enlist the support of the United States Government, which had not been represented at the United Nations Sugar Conference, 1968 and of the European Economic Community, which had been unable to support key parts of the draft agreement.

3. UNCTAD had a vital role to play in the integrated programme to be carried out by the various organs of the United Nations system in the second Development Decade, which must not be regarded as a mere econometric exercise or a general statement of principles. All the relevant bodies must participate to the full in formulating specific measures for accelerating the growth rate of developing countries.

4. UNCTAD's work with Governments had covered three aspects: international trade, the transfer of

financial resources, the developing countries' external vulnerability.

5. Little had been done so far to facilitate the access of primary exports of the developing countries to markets in industrialized countries. Efforts in that direction should form part of development planning. More headway had been made with regard to preferences, the importance of which had been recognized at the second session of UNCTAD, and it was hoped that specific measures would be proposed in connexion with exports of manufactures and semi-manufactures from developing countries when the strategy for the second Development Decade was being formulated. The International Trade Centre established jointly by UNCTAD and the General Agreement on Tariffs and Trade (GATT) had been set up to offer technical assistance, and it was hoped that UNCTAD's participation in the Development Decade would also greatly facilitate export promotion.

6. With regard to financial resources, no date had been set for the transfer to the developing countries of 1 per cent of the gross national product of the developed countries—an omission that must be remedied.

7. With regard to reducing the external vulnerability of the developing countries, it was to be hoped that the International Sugar Agreement would soon be followed by agreements on other commodities on the list drawn up at the second session of UNCTAD, such as cocoa and rubber. More supplementary financing was needed in the case of commodities not likely to be covered by price stabilization agreements.

8. Action at the international level must be concurrent with the action taken by the developing countries themselves. It was essential also to expand reciprocal trade among those countries by measures which might include the formation of regional or sub-regional economic groupings: the industrialization process could not develop to the full if the developing countries remained in closed compartments.

9. Fundamental changes in economic and social structures would be necessary before a satisfactory rate of development could be achieved. There must be a substantial transfer of international finance for any country willing to draw up a reasonable development plan and to make the necessary changes in its economic and social structure, and it must also be given supplementary financing to protect it from the effects of price fluctuations. There had been some objections from developed and developing countries alike to maintaining the close link which was necessary between international financing and the development policy of a given country. Industrialized countries

frequently emphasized the need to avoid the misuse of the resources transferred, although, if resources were linked to internal development policy, that in itself would be a guarantee against their misuse. Some developing countries had objected to the extent of the commitment they would have to accept in regard to the basic and supplementary financing necessary for large-scale development programmes, and had also been unwilling to recognize the need for structural changes and development discipline. Persistent efforts were needed to ensure acceptance of that concept, which was vital if the second Development Decade was to mark a fundamental advance over the first. Those efforts were, however, doomed to failure unless there was a favourable international climate for full technical and financial co-operation.

10. He recalled his remarks on the role of foreign private capital in his statement to the Trade and Development Board at its seventh session (see A/7214, p. 105) and emphasized the need to take into account the requirements of technology and the lessons of experience. New arrangements for co-operation in that respect must be made.

11. There were problems of common interest to all developing countries regardless of their economic and social ideology. For example, all were exposed to external fluctuations and suffered from shortages of capital, and technology had a universal impact. There was thus wide scope for co-operation, free from ideological conflict.

12. Development was not just a residual problem. If specific measures were not taken to improve the situation there would be general instability. No automatic solution could be hoped for to improve the lot of those who had been by-passed by the prosperity of the past twenty years. The effects of technology, population growth and urban concentration were among the many factors which called for changes in economic and social thinking and ways of living, and for forward planning. The industrialized countries would be wasting a great opportunity if they failed to take advantage of the technological possibilities of expanding their trade with developing countries. He recalled the widespread anxiety in industrial circles when it had seemed that the Kennedy Round of negotiations was on the brink of failure. Trade with the developing countries should be viewed as opening up new horizons and planting the roots of a dynamic world economy, and not as mere philanthropic gesture.

13. An improved policy for the transfer of resources was needed in order to promote exports. Many developing countries could pay the interest rates required if they were given the means of stepping up their exports.

14. The secretariats of the various organizations in the United Nations system should together formulate a constructive, integrated policy of social and economic development, in which he hoped that UNCTAD's role would be clearly recognized.

15. Mr. ASANTE (Ghana) said that various views had been expressed on the results of the second session of UNCTAD, but it would be better to let economic historians evaluate its achievements at a future date. The Trade and Development Board,

at its seventh session, had considered some of the lessons to be learnt from the experience of the previous four years, and the Committee should examine the Board's annual report (A/7214) and seek guidance from the report of the second session of the Conference (TD/97).^{1/}

16. A good attempt had been made to improve UNCTAD's institutional machinery and methods of work in the Board's unanimous decision 45 (VII) (see A/7214, p. 93) had received the support of his delegation despite the fact that it did not enable UNCTAD to waive the discussion of generalities and tackle specific problems.

17. One of Ghana's complaints was that, in a large part of the import market, the duty on cocoa-butter was more than double the already high 4 1/2 per cent levied on unprocessed cocoa beans and that, while logs were often imported duty-free, timber and plywood attracted a rate of duty which might be as high as 25 per cent. UNCTAD's failure to secure reductions in the rates of duty levied on processed goods from the developing countries had made his Government sceptical about general agreements concerning non-discriminatory preferences and other such measures, unless they included provisions for specific action. Now that studies had been carried out, the Secretary-General of UNCTAD should convene inter-governmental groups to consider such matters as the progressive reduction of the duty on cocoa-butter or timber from the developing countries. Unfortunately, the proposed new institutional machinery merely confirmed the powers of the Secretary-General to hold consultations on commodities and did not empower him to arrange inter-governmental consultations on other subjects.

18. The group system described in paragraph 26 of the Board's report was clearly useful and would probably be permanent, but special interests sometimes cut across groups and direct negotiations between members of different groups should also be encouraged. If no general consensus emerged from a group discussion, the matter in question should be taken up promptly by the Committee concerned so as to avoid wasting time and to ensure that no resolution was adopted without sufficient support to be viable.

19. It was regrettable that declaration 23 (II) adopted by the second session of the Conference,^{2/} had not been implemented at the seventh session of the Board, which should perhaps have taken a decision similar to that contained in the draft resolution which had been submitted to the Board (see A/7214, p. 121). Admittedly, the Board's time-table was impossible to keep and it was obviously futile to adopt a large number of "undigested" resolutions rather than a few which were clear and meaningful.

20. It was surprising that resolution 14 (II) of the Conference^{3/} had caused such a furore in the Board and high time some practical results emerged from

^{1/} See Proceedings of the United Nations Conference on Trade and Development, Second Session, vol. I, Report and Annexes (United Nations publication, Sales No. : E. 68. II. D. 14).

^{2/} *Ibid.*, annex I, p. 51.

^{3/} *Ibid.*, p. 50.

open discussion of the much too arcane subject of shipping.

21. Any resolution adopted by the Committee should take note of Trade and Development Board resolution 47 (VII) (see A/7214, p. 86) and recognize the extremely important role of UNCTAD in the preparation and implementation of the plans for the second Development Decade. He asked the Secretary-General of UNCTAD to inform the Committee how many Member States had indicated their desire to participate in the work of the group to be set up in pursuance of operative paragraph 5 of Board resolution 47 (VII).

22. The Secretary-General of UNCTAD deserved to be congratulated on his efforts in connexion with the recent International Sugar Agreement. It was a pity that there had not also been a cocoa conference in October. Ghana was very interested in the International Trade Centre organized jointly by UNCTAD and GATT and had already sent serving officers to it. He hoped it would come up to expectations.

23. The Committee should recommend measures to ensure that agreements reached at the second session of UNCTAD, such as that on non-reciprocal, non-discriminatory preferences, would be put into effect as early as possible.

24. He proposed that the statement made by the Secretary-General of UNCTAD should be circulated as a Committee document.

25. Mr. AVILES (Ecuador) said that the most acute problem at the present time was under-development. Although there had been considerable disappointment over the second session of UNCTAD, the four years that had elapsed since the first session of the Conference showed a credit balance. The two Conferences had served to identify and examine problems of under-development, which had hitherto not been fully understood. The failure of the two Conferences to achieve more tangible results was due to the magnitude of the problems and had proved the need for urgent collaboration between the developed and developing countries in order to close the economic gap between them.

26. It was true that the second session of the Conference had been held at an inauspicious time: the devaluation of sterling, the United States balance-of-payment difficulties, the gold crisis and the general deterioration of world trade had all had an adverse effect. The sluggish growth rate of the developed countries had prompted them to adopt a misguidedly over-cautious approach towards agreements for lowering tariff barriers in favour of the developing countries' exports and towards measures for increasing transfers of development capital. Their economic situation was still incomparably better than that of the developing countries and, although some of the arguments put forward during discussions of the 1 per cent target were valid, there was no justification for the attitude to it taken by some of the developed countries.

27. The four resolutions on commodities which were adopted by UNCTAD at its second session^{4/} had done nothing to improve the situation. The time had come to take action rather than recommend

studies of subjects which had already been dealt with. The urgent need to continue negotiations on commodity agreements had been reiterated in one of the resolutions, but practical difficulties had arisen and the cocoa negotiations, for example, remained in suspense. It was significant that neither the United States nor the countries of the European Economic Community had supported the United Nations Sugar Conference. It was to be hoped that the International Sugar Agreement took account of the legitimate interests of the less developed producing countries. Unless it, and other such agreements, provided realistic guarantees of market access, they would not achieve their purpose and would merely justify the developing countries' distrust of systems based on unsatisfactory export quotas. Commodity agreements should be fair to both parties and include not only production targets, quotas, control machinery and other conditions necessary for the developing countries, but also provide for a progressive reduction of the factors that tended to lower consumption in the developed countries.

28. Although General Principle Six of the International Sugar Agreement had been adopted without opposition, policies which restricted trade were still being pursued and even extended. That was the case with coffee, a Latin American export to the European Economic Community. Notwithstanding article 47 of the International Coffee Agreement, 1962 and the principles and recommendations adopted at the first session of UNCTAD, impediments to increased consumption were greater than ever and fiscal charges ranged from 25 to 130 per cent. The Community's lack of understanding was all the more surprising since the problems of Latin America had been clearly recognized in the eighth general report of the European Economic Community.

29. Two other tropical products of Latin America, cocoa and bananas, were also adversely affected by fiscal charges which, in some cases, were more than 90 per cent of the CIF price. Another unsatisfactory feature of the banana trade was that only 17 per cent of the retail price went to the growers, with the remainder shared between the domestic (23 per cent) and foreign (60 per cent) middlemen. Plans to increase the price for growers should therefore be accompanied by changes in the monopolistic practices of the trade that would have the effect of lowering retail prices and encouraging consumption.

30. Many of the problems described were of long standing, but they were becoming worse rather than better. The gross national product in Latin America had risen by only 1.5 per cent and the poor rate of economic growth in the region had dropped even further owing to the decline in world trade. That decline had led to lower prices in world markets for most of the regions's primary exports without a parallel decrease in imports, which, in fact had risen by 4 per cent between 1966 and 1967. Latin America's total balance-of-payments deficit was now a record \$1,600 million.

31. His delegation was also dissatisfied with the results achieved by the second session of UNCTAD on the matter of growth, development finance and aid,

^{4/} *Ibid.*, resolutions 16 (II)—19 (II), pp. 34—37.

synchronization of international and national policies. None of the seven decisions adopted by UNCTAD on the subject had led to practical results. However, one of them, namely, decision 28 (II) of the Conference^{5/} on improving the mobilization of internal resources of the developing countries was supported by his delegation, which had always maintained that the primary responsibility for development lay with the developing countries themselves, even though international financial assistance, if granted on reasonable terms, was highly important.

32. With regard to shipping, the resolutions adopted on the establishment of consultation machinery, freight rates and conference practices, the development of merchant marines, and international legislation were major advances in an area where constructive agreements had been least expected.

33. It was unfortunate that a lack of political will on the part of the developed market-economy and the countries with centrally planned economies, together with other causes, had prevented some projects from being examined in depth. The programme for the liberalization and expansion of trade in manufactures and semi-manufactures, including processed and semi-processed primary commodities of interest to developing countries, special measures to be taken in favour of the least developed among the developing countries, and other projects had had to be referred to the Trade and Development Board.

34. His delegation was gratified to note the constructive spirit which had prevailed in the Trade and Development Board in spite of disappointment over the second session of the Conference. As requested by the Conference, the Board had examined its institutional machinery and taken steps to improve it. His delegation highly approved of Board decision 43 (VII) (see A/7214, p. 90) and was fully confident that UNCTAD had acquired the experience needed for finding solutions to the problems of under-development.

35. Mr. CHTOUROU (Tunisia) said that the Secretary-General had reflected the feelings of the majority of developing countries when he had stated, in the introduction to his annual report on the work of the Organization (see A/7201/Add.1, para. 84), that a purposeful, constructive and sustained process of negotiation had not taken place at the second session of the Conference and that the urge for action had been lost in the complexities of a heavy, inadequate institutional machinery. Among the reasons for the lack of progress at the Conference had been the unfavourable international atmosphere, the cumbersome machinery of the Conference, including the group system, and the heavy agenda, but the decisive factor had been the lack of political will. The process of development was in fact the second stage in the process of decolonialization—a stage that would be harder than the first. Nevertheless, the Conference had contributed to a better understanding of the problems and a clearer definition of possible areas of agreement and disagreement, and the documents

prepared for the Conference would be useful working tools for further consultations in the permanent bodies of UNCTAD.

36. The decisions of the seventh session of the Trade and Development Board, and in particular paragraph 2 of decision 45 (VII) (see A/7214, p. 93) were of major importance for the transition of UNCTAD's activities from a deliberative to an operative stage. The Tunisian delegation welcomed the organizational changes provided for in Board decision 45 (VII), and believed that they were sufficiently flexible to allow the Board to complete its work even if the single annual session proposed was insufficient.

37. In view of the varied and extensive areas of activity within UNCTAD's competence, its paramount role in the second Development Decade could hardly be denied. Indeed, the broad range of its work sometimes led to duplication and even discrepancies with the studies and conclusions of other United Nations bodies. Nevertheless, such duplication, could be eliminated, and the General Assembly should decide which United Nations organ should carry out particular studies or preliminary work for the Decade. In that connexion, it was to be hoped that those delegations which had not supported Trade and Development Board resolution 47 (VII) (*ibid.*, p. 86) would reconsider their position, since its reaffirmation of UNCTAD's role in the preparation for the second Development Decade was in conformity with the other decisions unanimously adopted by the Board, and the establishment of an inter-governmental working group to consider those preparations was not at variance with decisions of the Economic and Social Council.

38. Mr. HILLEL (Israel) said that UNCTAD had succeeded in drawing attention to the key role of exports in economic development and to the obstacles to export promotion inherent in the present trade structure. Nevertheless, the results attained by UNCTAD in the four years since its establishment were disappointing; although it had been given certain important development functions, it had achieved fewer specific results than had other international bodies concerned with development, and had not succeeded in becoming a vital and effective instrument for the promotion of economic growth. The international community should note the warning given by the Secretary-General of UNCTAD that the second session of the Conference could have contributed to the formulation of a development policy if it had adopted a series of specific measures.

39. No progress in such fundamental matters as commodity trade, free access to the markets of developed countries, and the financing of buffer stocks had been achieved at New Delhi. Indeed, only one commodity agreement had been concluded under the auspices of UNCTAD since 1964. Even the unanimous acceptance of the concept of a general system of non-discriminatory preferences was of little practical significance; the basic elements and principles of the proposed system had not been defined, no date had been set for its entry into force, and consultations

^{5/} *Ibid.*, annex I, p. 39.

rather than negotiations, were to be held on the matter.

40. In the matter of financing, the aid volume target had been set, in decision 27 (II) of the Conference,^{5/} at 1 per cent of the gross national product rather than of net national income, but since very few developed countries had indicated their willingness to accept a precise date for the achievement of that target, the adoption of the decision could not be regarded as a commitment to provide additional financial resources to the developing countries. Similarly, the Conference had failed to alleviate the debt-servicing burden of developing countries by softening the terms of financial aid. It was regrettable that the Eastern European countries had neither accepted the 1 per cent target nor agreed to set quantitative targets for their imports from developing countries.

41. UNCTAD's programme of action for the second Development Decade should be prepared in the light of a detailed analysis of its activities, similar to the analysis on the basis of which the International Bank for Reconstruction and Development (IBRD) had reshaped its policies. In the meantime, the activities of existing organizations of proved effectiveness, such as GATT, should be strengthened.

42. If it was to achieve practical results, UNCTAD should become an instrument for the negotiation of settlements rather than a forum for discussion. There were too many conferences, consultations and meetings, and agendas were excessively long and often repetitive. In addition, the group system, the shortcomings of which had been frankly recognized by the Secretary-General of UNCTAD, had led to a polarization of positions. The developed countries had adopted the lowest common denominator in the face of the developing countries' demands, despite the more favourable attitude of certain industrialized countries, while extremist positions had gained the upper hand over more practical attitudes in the group of developing countries. As a result, nothing had been done at the second session of UNCTAD to bridge the gap between the "minimum offers" of the developed countries and the "maximum demands" of the developing countries, and it was questionable whether the rigid group system had really served the best interests of the developing countries. UNCTAD should re-examine its structure and procedures so as to become a practical instrument for international co-operation, able to define precise objectives and to ensure their fulfilment.

43. So far as financing was concerned, it should tackle the problem of the rigidity of capital markets, which was perhaps the main reason why per capita investment in the developed countries was twelve times higher than that in the developing countries. Unless the flow of capital to the developing countries increased substantially, the point would soon be reached where those countries' debt-service payments would equal, or even exceed, the inflow of new capital. Because opportunities for domestic capital formation

in the developing countries were necessarily limited and their needs could not be met by direct grants from developed countries, the main source of capital would continue to be bilateral and multilateral aid for some time to come. Although IBRD was endeavouring to increase resources available for loans by issuing bonds in world financial markets, nothing had yet been done to change its present very heavy interest rate of 6 1/2 per cent. In addition, many developing countries were unable to provide the investment security required. The Horowitz Proposal, which was submitted to UNCTAD in 1964,^{7/} for a multilateral interest equalization fund to cover the interest margin between loans obtained on international capital markets and concessional development loans was intended to overcome those two obstacles. The Proposal would involve only a modest subsidy, and developed countries would provide additional repayment guarantees. It was gratifying that the Proposal had been adopted by the group of seventy-seven developing countries and incorporated in the Charter of Algiers,^{8/} although it was regrettable that the name of its author had been omitted. The second session of the Conference, in decision 29 (II),^{9/} had commended the technique of interest equalization to donor countries, and invited the Secretary-General of UNCTAD to keep the matter under review; the Israel delegation awaited his report with keen interest.

44. The special drawing rights scheme created by the International Monetary Fund was also of importance for development aid. His delegation believed that the creation of those additional resources had been a timely measure which could contribute to the growth of international trade. However, the greater part of the additional resources should be channelled towards the developing countries. One possible solution would be to distribute a part of the new reserves equally to all Member States, thereby increasing the proportion falling to the developing countries, and the remainder in proportion to present allocations.

45. His delegation had noted with particular interest declaration 9 (II) on the world food problem, adopted at the second session of UNCTAD.^{10/} There was no doubt that spectacular increases in food production could be achieved by modern methods such as the large-scale use of fertilizers, irrigation and the introduction of new crop varieties. As a result of such methods, agricultural production in Israel had increased some 150 per cent between 1956 and 1965, while the number of persons engaged in farming had risen by only 7 per cent in the same period. In Israel, 85 per cent of the food consumed, as well as exports worth \$150 million annually, were produced by 12 per cent of the population. There was no reason why other countries should not follow suit, and Israel was ready to share its experience with other developing countries, so that they could produce enough food for their people, and also release

^{5/} For the text of the proposal, see documents E/CONF. 46/C.3/L.5/Rev.1 and E/CONF. 46/C.3/2.

^{8/} See Proceedings of the United Nations Conference on Trade and Development, Second Session, vol. I, Report and Annexes (United Nations publication, Sales No.: E. 68. II. D. 14), annex IX, pp. 431-441.

^{9/} *Ibid.*, annex I, p. 40.

^{10/} *Ibid.*, p. 28.

^{6/} *Ibid.*, p. 38.

resources for industrial development and the expansion and diversification of their exports.

46. Mr. KASSUM (Secretary of the Committee) said that the financial implications of the proposal made by the representative of Ghana to circulate in extenso the statement made by the Secretary-General of UNCTAD as a Committee document were approximately \$900.

47. The CHAIRMAN said that, if he heard no objection, he would assume that the Committee adopted the proposal.

It was so decided. 11/

The meeting rose at 1.10 p.m.

11/ Document A/C.2/L.1008.