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on
TRADE AND DEVELOPMENT

SECOND SESSION

New Delhi, 1 February - 29 March 1968

Volume I
Report and Annexes



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NOTE

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Volume I

Report of the United Nations Conference on Trade and Development on its second session

CONTENTS

	<i>Paragraph</i>	<i>Page</i>
AGENDA		vi
PART ONE. INTRODUCTION	1-48	3
<i>Chapter I.</i> The first session of the Conference	1-5	3
<i>Chapter II.</i> The first four years of UNCTAD	6-21	4
<i>Chapter III.</i> Recent trends in world trade and development	22-39	7
<i>Chapter IV.</i> The objectives of the second session of the Conference	40-48	10
PART TWO. ORGANIZATION OF THE CONFERENCE	49-63	13
PART THREE. A SUMMARY OF THE GENERAL DEBATE	64-90	17
PART FOUR	91-95	23
<i>Chapter I.</i> Conclusions	91-93	23
<i>Chapter II.</i> List of resolutions, declarations and other decisions adopted by the Conference	94	23
<i>Chapter III.</i> Adoption of the report of the Conference	95	24

ANNEXES

I. Resolutions, declarations and other decisions adopted by the Conference	27
A. Texts as adopted	28
B. Observations and reservations by delegations on the decisions of the Conference	59
II. Action with respect to reports of Main Committees and other sessional bodies concerning items referred to them	63
III. Action in respect to items dealt with by the Conference without reference to sessional bodies	67
IV. Adoption of the report of the Conference on its second session	69
V. Summaries of statements made in plenary meetings during the opening and closing stages of the Conference	70
VI. Organizational matters	227

VII. Reports of Main Committees and other sessional bodies:

A. Report of the First Committee	232
B. Report of the Second Committee	261
C. Report of the Third Committee	281
D. Report of the Fourth Committee	306
E. Report of the Fifth Committee	334
F. Report of Working Group I	351
G. Report of Working Group II	359
H. Report of Working Group III	376
I. Report of the Credentials Committee	385

VIII. Texts of proposals referred by the Conference to the Trade and Development Board 387

IX. Other basic documents:

Address by Mrs. Indira Gandhi, Prime Minister of India, at the inaugural ceremony, 1 February 1968	409
Address by Mr. Dinesh Singh, Minister of Commerce of India, President of the Second Session of the United Nations Conference on Trade and Development, at the 37th (opening) plenary meeting, 1 February 1968	411
Address by the Secretary-General of the United Nations at the 51st plenary meeting, 9 February 1968	413
Statement made at the 39th plenary meeting, 2 February 1968, by Mr. Raúl Prebisch, Secretary-General of UNCTAD	416
Statement made at the 66th plenary meeting, 12 March 1968, by Mr. Raúl Prebisch, Secretary-General of UNCTAD	420
Statement made at the 79th plenary meeting, 28 March 1968, by Mr. Lal Jayawardena (Ceylon) on behalf of the Group of 77 on supplementary financial measures and on behalf of the Asian Group on the flow of private capital	423
Statement made at the 79th plenary meeting, 28 March 1968, by Mr. J. Everts (Netherlands), Chairman of the Third Committee	424
Declaration made at the 79th plenary meeting, 28 March 1968, by Mr. A. F. Azeredo da Silveira (Brazil) on behalf of the Group of 77 concerning development financing	425
Statement made at the 79th plenary meeting, 28 March 1968, by Mr. S. Golt (United Kingdom)	426
Messages from Heads of State and Government:	
Message from Sir Seretse Khama, President of the Republic of Botswana	427
Message from Mr. L. B. Pearson, Prime Minister of Canada	427
Message dated 29 January 1968 from His Holiness Pope Paul VI	427
Message dated 30 January 1968 from General Soeharto, Acting President of the Republic of Indonesia	427
Message from His Imperial Majesty the Shahanshah Arya-Mehr of Iran	428
Message from Mr. Nicolas Ceausescu, President of the State Council of the Socialist Republic of Romania	428
Message dated 1 February 1968 from Mr. A. Kosygin, Chairman of the Council of Ministers of the Union of Soviet Socialist Republics	429
Message dated 2 February 1968 from Mr. Harold Wilson, Prime Minister of the United Kingdom	429
Message from Mr. Josip Broz Tito, President of the Federal Socialist Republic of Yugoslavia	429
Charter of Algiers	431
Summary statement of financial implications of actions of the second session of the Conference	456

X. Check list of documents 462

Check list of resolutions, decisions and declarations 483

ABBREVIATIONS

BTN	Brussels Tariff Nomenclature
CAP	Common agricultural policy (of the European Economic Community)
CMEA	Council for Mutual Economic Assistance
ECA	Economic Commission for Africa
ECAFE	Economic Commission for Asia and the Far East
ECE	Economic Commission for Europe
ECLA	Economic Commission for Latin America
EEC	European Economic Community
EFTA	European Free Trade Association
FAO	Food and Agriculture Organization of the United Nations
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GNP	Gross national product
IATA	International Air Transport Association
IBRD	} International Bank for Reconstruction and Development
World Bank	
ICAC	International Cotton Advisory Committee
ICAP	Inter-American Committee on the Alliance for Progress
IDA	International Development Association
IDB	Inter-American Development Bank
IFC	International Finance Corporation
ILO	International Labour Organisation
IMCO	Inter-Governmental Maritime Consultative Organization
IMF	International Monetary Fund
IRSG	International Rubber Study Group
ITC	International Tin Council
IUOTO	International Union of Official Travel Organizations
LAFTA	Latin American Free Trade Association
OAU	Organization of African Unity
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
UNCITRAL	United Nations Commission on International Trade Law
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization

EXPLANATORY NOTE

The term "billion" signifies one thousand million.

Addendum

For technical reasons, the observations made by Austria concerning resolution 15 (II) and decisions 27 (II) and 29 (II) of the second session of the United Nations Conference on Trade and Development appear in document TD/L.37/Add.11.

AGENDA *

1. Opening of the Conference
2. Election of the President
3. Adoption of the rules of procedure
4. Constitution of Committees and election of their officers
5. Election of the Vice-Presidents and the Rapporteur
6. Credentials of representatives to the Conference:
 - (a) Appointment of the Credentials Committee
 - (b) Report of the Credentials Committee
7. Adoption of the agenda
8. General statements of Heads of delegations
9. *Trends and problems in world trade and development*
 - (a) Review of recent developments and long-term trends, implementation of the recommendations and other provisions of the Final Act of the first Conference — consideration of further action ¹
 - (b) Steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development (see Annexes A.I.1, A.I.2 and A.I.3 of the Final Act of UNCTAD, 1964)
 - (c) Trade relations among countries having different economic and social systems, including problems of East-West trade, paying attention particularly to the trade interests of developing countries and taking into account the work in this field of other United Nations organs, including the regional economic commissions
 - (d) Impact of the regional economic groupings of the developed countries on international trade including the trade of the developing countries
 - (e) Consideration of measures leading to the improvement of the international division of labour
 - (f) The world food problem — its relationship to international trade, export earnings and economic development of developing countries; measures to assist them to increase their food production and to improve the conditions for its distribution and marketing
 - (g) Special problems of the land-locked countries
 - (h) Transfer of technology, including know-how and patents

* As adopted by the Conference at its 39th plenary meeting on 2 February 1968.

¹ The purpose of sub-item (a) is to provide delegations with general factual information about the subject matter of the item. No general debate is expected since such a debate will take place under item 8.

10. *Commodity problems and policies*

- (a) Review of recent developments and long-term trends in commodity trade including activities of commodity groups and other commodity bodies in the light of recommendations and other provisions of the Final Act of the first Conference¹
- (b) Main elements of commodity policy including international commodity arrangements and other techniques of commodity market stabilization:
 - (i) Operation and financing of buffer stocks
 - (ii) Role and financing of diversification programmes
 - (iii) Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from export of primary commodities
- (c) Programme for the liberalization and expansion of trade in commodities of interest to developing countries
- (d) Problems arising from the development of synthetics and substitutes

11. *Expansion and diversification of exports of manufactures and semi-manufactures of developing countries*

- (a) Review of recent developments and long-term trends in trade in manufactures and semi-manufactures in the light of recommendations and other provisions of the Final Act of the first Conference¹
- (b) Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to the developed countries
- (c) Programme for the liberalization and expansion of trade in manufactures and semi-manufactures of interest to developing countries
- (d) Measures for the promotion, expansion and diversification of exports of manufactures and semi-manufactures from developing countries; co-operation with the United Nations Industrial Development Organization aimed at the establishment and expansion of export-oriented industries in developing countries; other forms of economic, industrial and technical co-operation

12. *Growth, development finance and aid (synchronization of international and national policies)*

- (a) Review of recent developments and long-term trends in the light of recommendations and other provisions of the Final Act of the first Conference¹
- (b) Financial resources and requirements of developing countries and measures to accelerate their economic development:
 - (i) Increasing the flow of international public and private capital
 - (ii) Improving the terms and conditions of aid
 - (iii) Alleviating the problems of external indebtedness
 - (iv) Improving the mobilization of internal resources
- (c) Supplementary financial measures
- (d) Compensatory financing facility
- (e) International monetary system: issues relating to development finance and trade of developing countries

¹ The purpose of sub-item (a) is to provide delegations with general factual information about the subject matter of the item. No general debate is expected since such a debate will take place under item 8.

13. *Problems of developing countries in regard to invisibles including shipping*
 - (a) Review of recent developments and long-term trends in the field of invisibles including shipping and international legislation thereon in the light of recommendations and other provisions of the Final Act of the first Conference ², ³
 - (b) Level and structure of freight rates, conference practices and adequacy of shipping services: progress report on studies by the secretariat
 - (c) Shipping industry in developing countries including expansion of merchant marines of developing countries
 - (d) Consultation machinery in shipping
 - (e) Port improvements. Progress report on studies by the secretariat
14. *Trade expansion and economic integration among developing countries, measures to be taken by developing and developed countries — including regional, subregional and interregional arrangements*
15. *Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development*
16. *General review of the work of UNCTAD*
 - (a) Activities of the organs of the Conference
 - (b) Technical assistance activities relating to trade, including training of technical and special staff of developing countries
17. Election of members of the Board
18. Other business
19. Adoption of the report of the Conference to the General Assembly

² The purpose of sub-item (a) is to provide delegations with general factual information about the subject matter of the item. No general debate, except with respect to international legislation on shipping, is expected since such a debate will take place under item 8.

³ In this review due regard should be given to the activities of the Inter-Governmental Maritime Consultative Organization and other competent international organizations in this field in order to avoid unnecessary duplication.

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PART ONE

INTRODUCTION

Chapter I

The first session of the Conference

1. The second session of the United Nations Conference on Trade and Development should be viewed in its historical setting. The first session of the Conference was convened in Geneva in conformity with General Assembly resolution 1785 (XVII) of 8 December 1962 from 23 March to 16 June 1964. The circumstances which had led to the convening of the first session and the purposes which it was intended to achieve are described in the Final Act adopted by that Conference on 16 June 1964.¹ The signatories thereto expressed their determination to "seek a better and more effective system of international economic co-operation, whereby the division of the world into areas of poverty and plenty may be banished and prosperity achieved by all; and to find ways by which the human and material resources of the world may be harnessed for the abolition of poverty everywhere". They considered that "in an age when scientific progress has put unprecedented abundance within man's reach, it is essential that the flows of world trade should help to eliminate the wide economic disparities between nations".²

2. The recommendations of the first session, annexed to its Final Act, range over a wide field of problems of trade and development calling for solution by means of new guidelines for trade and international co-operation, with particular regard to problems affecting developing countries and irrespective of differences in economic and social systems. These recommendations are consolidated in the second part of the Final Act, as follows: Principles; International Commodity Problems; Trade in Manufactures and Semi-Manufactures; Financing for an Expansion of International Trade and Improvement of the Invisible Trade of Developing Countries; Institutional Arrangements; Special Problems, and Programme of Work.

3. As regards institutional arrangements, the Conference, "convinced that adequate and effectively functioning organizational arrangements are essential if the full contribution of international trade to the accelerated economic growth of the developing countries is to be realized through the formulation and implementation of the necessary policies",³ recommended to the United Nations General Assembly that the United Nations

Conference on Trade and Development should be established as an organ of the General Assembly with due provision for a procedure of conciliation.

4. In the opinion of the Secretary-General of the United Nations, the Conference "ushered in a new chapter in the history of United Nations endeavours to accelerate the economic development of developing countries. The Conference has shown the way towards a more just and rational international economic order".⁴ In the Introduction to his Annual Report on the Work of the Organization to the General Assembly at its nineteenth session,⁵ the Secretary-General of the United Nations further stated that the Conference, the largest inter-governmental conference ever assembled and one of the most important, had been recognized "as an event of historic importance likely to have a significant impact on international co-operation for decades to come". Commenting on the significance and impact of the Conference, the Secretary-General pointed out that the Conference recommended actions by the Assembly with a view, above all, to achieving two purposes: "to enlarge the role of the United Nations in the field of international trade, and to add to the broad concepts of negotiation and co-operation inherent in the Charter new conciliation procedures which are essential to carry out decisions whose ultimate purpose is to change the existing international division of labour." The Final Act of the first session of the Conference could be viewed as a successful attempt at a further advancement and codification of the many efforts which in past years had gone into the implementation of Chapter IX of the Charter entitled "International Economic and Social Co-operation". The Secretary-General expressed the hope that the Conference would be followed by concrete and universally acceptable steps which would help to bring about appropriate changes in the policies of all trading nations.

5. The General Assembly, in its resolution 1995 (XIX) of 30 December 1964, recognized that the Conference had provided "a unique opportunity to make a comprehensive review of the problems of trade and of trade in relation to economic development, particularly those problems affecting the developing countries". In its resolution 2085 (XX) of 20 December 1965 the General Assembly recognized "the historical significance of the United Nations Conference on Trade and Development and its furtherance of the principles of the Charter of the United Nations and advancement towards a new dynamic international trade and development policy".

¹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

² *Ibid.*, p. 3.

³ *Ibid.*, p. 58.

⁴ *Ibid.*, Foreword, p. iii.

⁵ *Official Records of the General Assembly, Nineteenth Session, Supplement No. 1A*, p. 3.

Chapter II

The first four years of UNCTAD

6. The adoption of General Assembly resolution 1995 (XIX) of 30 December 1964, establishing UNCTAD as a permanent organ of the Assembly marked the culmination of discussions and efforts within the United Nations which had their origin, as the Final Act of the first session of the Conference put it, in the "growing conviction that the economic aims of the Charter would best be furthered by a bold new programme of international economic co-operation".⁶

7. This resolution defines the principal functions and membership of the Conference and of its permanent organ, the Trade and Development Board, and has set in motion and governed the activities of the Board and of the subsidiary bodies of the Board which have been established since the 1964 Conference. It also constitutes the source of competence of UNCTAD. According to resolution 1995 (XIX),

"3. The principal functions of the Conference shall be:

"(a) To promote international trade, especially with a view to accelerating economic development, particularly trade between countries at different stages of development, between developing countries and between countries with different systems of economic and social organization, taking into account the functions performed by existing international organizations;

"(b) To formulate principles and policies on international trade and related problems of economic development;

"(c) To make proposals for putting the said principles and policies into effect and to take such other steps within its competence as may be relevant to this and having regard to differences in economic systems and stages of development;

"(d) Generally, to review and facilitate the co-ordination of activities of other institutions within the United Nations system in the field of international trade and related problems of economic development, and in this regard to co-operate with the General Assembly and the Economic and Social Council with respect to the performance of their responsibilities for co-ordination under the Charter of the United Nations;

"(e) To initiate action, where appropriate, in co-operation with the competent organs of the United Nations for the negotiation and adoption of multilateral legal instruments in the field of trade, with due regard to the adequacy of existing organs of negotiation and without duplication of their activities;

"(f) To be available as a centre for harmonizing the trade and related development policies of Government and regional economic groupings in pursuance of Article I of the Charter;

"(g) To deal with any other matters within the scope of its competence."

8. Thus UNCTAD is part of the United Nations machinery in the economic sphere. The permanent secretariat headed by the Secretary-General of UNCTAD⁷ began its work in January 1965. On the recommendation of the Trade and Development Board the General Assembly decided, under resolution 2085 (XX) of 20 December 1965, to establish the headquarters of the secretariat of UNCTAD on a permanent basis in Geneva and a liaison office at United Nations Headquarters in New York.

9. At the outset, the Board adopted its programme of work and laid down the terms of reference of the Committee on Commodities, the Committee on Manufactures and the Committee on Invisibles and Financing related to trade, and established the Committee on Shipping. Pursuant to General Assembly resolution 1995 (XIX), the Board decided to replace the interim Co-ordinating Committee for International Commodity Arrangements by the Advisory Committee to the Board and to the Committee on Commodities. Both the Board and its subsidiary bodies have held regular meetings during the period between the two sessions of the Conference (see TD/4 and Add.1 and TD/36).

10. In its capacity as a permanent organ of the Conference, the Board has also ensured the continuity of UNCTAD's work. It has devoted considerable attention and time to keeping under review, and taking appropriate action within its competence for the implementation of recommendations and other decisions of the Conference, as provided in paragraph 15 of General Assembly resolution 1995 (XIX) and in the Board's programme of work. Under the terms of Board resolution 19 (II) setting out the procedure to be followed in the review of the implementation of the recommendations and other provisions in the Final Act of the first session of the Conference, the Board has regularly examined the annual report submitted by the Secretary-General of UNCTAD as a background document for the review and assessment of the implementation of the recommendations of that Conference.

11. Apart from supervising the work of its Main Committees, the Board during the period under review has also addressed itself to a number of other major problems, such as the consideration of steps to be taken to achieve the broadest possible measure of agreement on a set of principles governing international trade relations and trade policies conducive to development;⁸ trade expansion and economic integration among developing countries; trade relations between countries having different economic and social systems; technical assistance in trade and related

⁶ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 4, para. 10.

⁷ At its 1328th plenary meeting on 10 February 1965, the General Assembly confirmed the appointment by the Secretary-General under General Assembly resolution 1995 (XIX), part II, paragraph 27, of Mr. Raúl Prebisch as Secretary-General of the United Nations Conference on Trade and Development.

⁸ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report, annexes A.I.1, A.I.2 and A.I.3* (United Nations publication, Sales No.: 64.II.B.11), pp. 18-26.

fields; transit trade of land-locked countries;⁹ steps to be taken for the progressive development in the field of private international law with a particular view to promoting international trade; and co-operation and co-ordination of the activities of UNCTAD with those of other bodies in the field of trade and development.¹⁰ As provided in General Assembly resolution 1995 (XIX), the Board has also served as a preparatory committee for future sessions of the Conference (see part two of this report) and has reported annually on its activities to the General Assembly through the Economic and Social Council.

12. During the period under review, the Committees, in accordance with their terms of reference as adopted by the Board, have exercised in their respective fields the basic functions that devolve upon the Conference and the Board. The Committees have thus carried out the tasks of giving effect to the recommendations and other decisions of the Conference and the Board, ensuring the continuity of work, including the review of current trends, and, within the scope of competence of UNCTAD, of reviewing and facilitating the co-ordination of activities of other institutions within the United Nations system in the field of international trade and problems related to economic development.¹¹

13. The Committee on Commodities has, *inter alia*, identified commodities which warrant close attention or which give cause for immediate concern and therefore require international commodity agreements or other measures leading to specific solutions. The Committee has agreed that in dealing with these commodities a pragmatic commodity-by-commodity approach is preferable to an

attempt to devise universal solutions for commodity problems. It also established the Permanent Sub-Committee on Commodities and the Permanent Group on Synthetics and Substitutes.

14. Furthermore, a number of commodity conferences and meetings were convened under UNCTAD auspices during the period under review and these drew on the substantive services of the UNCTAD secretariat in collaboration with that of FAO (in the case of agricultural commodities) and of the international commodity groups concerned.¹²

15. The Committee on Manufactures asked the secretariat to prepare, *inter alia*, an exhaustive study of world demand for, and supply of, manufactured and semi-manufactured products of actual or potential export interest to developing countries. It also requested that studies be made on sectors of industry with a current or potential export

⁹ The first session of the Conference adopted recommendation A.VI.1 in which it requested the Secretary-General of the United Nations to appoint a committee of twenty-four members representing land-locked, transit and other interested States to prepare a new draft convention on the transit trade of land-locked countries. This Committee met at United Nations Headquarters from 26 October to 20 November 1964. At its 1328th plenary meeting on 10 February 1965, the General Assembly approved the holding of the Conference of Plenipotentiaries on Transit Trade of Land-locked Countries. The Conference was convened at United Nations Headquarters on 1 June 1965. The Final Act was signed on 8 July 1965 whereby the Convention on Transit Trade of Land-locked States was adopted. The Convention, having received the required ratifications, and in accordance with the relevant provisions of the Convention, entered into force on 7 June 1967.

¹¹ The UNCTAD secretariat has established and maintains useful working relationships with the secretariats of these bodies. In that connexion the Board welcomed and generally endorsed in principle the proposal by the Secretary-General of UNCTAD and by the Director-General of the General Agreement on Tariffs and Trade (GATT) to establish a joint international trade centre within the United Nations Export Promotion Programme. The General Assembly in resolution 2297 (XXII), adopted on 12 December 1967, approved the accord between UNCTAD and GATT on the establishment of the International Trade Centre, effective from 1 January 1968, to be operated jointly by UNCTAD and GATT on a continuing basis and in equal partnership.

¹² The Committee on Commodities is also charged to co-ordinate, within the competence in this respect of the Conference and the Board under General Assembly resolution 1995 (XIX), of the activities of all bodies involved in the commodity field including the appropriate organs of the Food and Agriculture Organization of the United Nations (FAO), as well as of the autonomous commodity councils, study groups and other commodity groups, and any commodity activities within GATT.

¹³ A new International Tin Agreement was negotiated in April 1965 and entered into force for a period of five years. Its objectives reflect the purposes and principles of international commodity agreements as set out in the Final Act of the first session of the Conference. The United Nations Sugar Conference, held in September/October 1965, considered proposals for a new International Sugar Agreement. While unable to agree on the text of a new Agreement, the Conference adopted a new Protocol extending the Protocol then in force, under the terms of which the International Sugar Council remains in being. After thorough preparation, the draft of a new International Sugar Agreement, based on the text considered at the 1965 Sugar Conference, and on drafts developed in subsequent consultations and in the Pre-Conference Committee of Experts on Sugar, was circulated to the Governments of States members of UNCTAD in connexion with the United Nations Sugar Conference, 1968. The United Nations Cocoa Conference was held in May/June 1966 in New York. Although the Conference achieved a certain degree of progress it was unable to resolve a number of important problems. Pursuant to the resolution on adjournment adopted by the Conference, consultations continued at both technical and policy levels, and the United Nations Cocoa Conference 1967 was held in November/December of that year. Despite substantial further progress no final agreement was reached. The Conference was suspended, the Secretary-General of UNCTAD being entrusted with the task of reconvening the Conference at a time to be determined by him. It was suggested that consultations should be arranged by the Secretary-General of UNCTAD, before the resumption of the Conference, as appropriate. The United Nations Conference on Olive Oil, held in March 1967, adopted a Protocol for the Extension of the 1963 Olive Oil Agreement until 30 September 1969. The Protocol entered into force on 1 October 1967. Pursuant to a resolution adopted by the Board (resolution 40 (S-III)) the Secretary General of UNCTAD convened an Exploratory Meeting on Rubber in December 1967. The Meeting reached a number of conclusions on measures which would help to relieve the problems facing the producers of natural rubber and requested the Secretary-General of UNCTAD to transmit the report of the Meeting to the second session of the Conference. In addition to the commodity meetings convened under UNCTAD auspices, an International Wheat Conference was convened in July 1967 by the International Wheat Council in co-operation with the UNCTAD secretariat. The Conference, in August 1967, adopted an International Grains Arrangement, comprising a Wheat Trade Convention and a Food Aid Convention. The FAO Study Group on Oilseeds, Oils and Fats, at its third session jointly serviced by the FAO and UNCTAD secretariats, selected certain lines of action as meriting further examination by the joint UNCTAD/FAO secretariats, including trade liberalization measures, compensatory arrangements, and internationally financed food and buffer stocks. The Study Group decided to examine at its next session the question of establishing a consultative sub-committee consisting of government delegations from both exporting and importing countries to examine in detail the market situation and prospects for major oils and oilseeds, and possible short-term measures for making progress towards alleviating the problems involved in the trade in oilseeds, oils and fats (FAO, document CCP.68/3).

interest to developing countries with a view to assessing the scope for increased exports. The Committee examined measures that could be taken by the developed countries to promote the imports of semi-manufactured and manufactured goods from developing countries. It decided to recommend to the Board the setting up of a group on preferences and of an *Ad Hoc* Joint UNCTAD/FAO Working Party on Forest and Timber Products. It subsequently considered the reports emanating from these subsidiary bodies whose establishment the Board had meanwhile endorsed.

16. The Committee on Invisibles and Financing related to Trade unanimously adopted, *inter alia*, an Agreed Statement on the Problems of Development,¹³ setting out the Committee's observations on the substance of relevant agenda items of the second Conference and dealing, in particular, with internal resources and external assistance; terms of trade; difficulties in aid administrations; the tying of aid; problems of indebtedness; commercial credits; and private capital. The Committee considered the report of the Group of Experts on International Monetary Issues¹⁴ which had been convened pursuant to recommendation A.IV.19¹⁵ of the first session of the Conference. The Committee also requested the Secretary-General of UNCTAD to appoint an expert group to consider economic and financial problems involved in the possible creation of a multilateral interest equalization fund, and similar schemes and possible variants. On the Committee's recommendation, the Board established an inter-governmental group to study and report on the scheme of supplementary financial measures set out in the study prepared by the staff of the International Bank for Reconstruction and Development (IBRD).¹⁶ As regards invisibles, the Committee decided to review activities in the field of tourism, insurance, reinsurance and, in due course, transfer of licences, know-how, technical documentation and new technology to developing countries. The Committee considered the report of the Expert Group on Reinsurance¹⁷ convened by the Secretary-General of UNCTAD.

17. The Committee on Shipping arranged for and considered studies, *inter alia*, on the establishment of national and regional consultation machinery; the level and structure of freight rates, conference practices and adequacy of shipping services; improvement of port operations and connected facilities; the establishment or expansion of national merchant marines in developing countries; and reviews of current and long-term aspects of maritime transport. The Committee defined the role of the UNCTAD secretariat in providing substantive support to technical assistance activities in maritime transport, including ports.

18. The Committees have carried out their work in the light of the need to assist the Board in its task of reviewing and assessing the implementation of the recommendations of the first session of the Conference in accordance with their terms of reference and have sought to plan their work with a view to the preparations for the second session of the Conference.

19. The General Assembly has carefully followed the work of UNCTAD's continuing machinery, and, more particularly, has considered the extent to which the recommendations of the first session of the Conference had been acted upon. In its unanimously adopted resolution 2085 (XX) of 20 December 1965, the General Assembly expressed its satisfaction that "by setting in motion the Trade and Development Board . . . the Conference has provided itself with the appropriate framework needed for an effective contribution to the solution of major problems of trade and development" and noted with appreciation that "the method of work adopted by the Board at its first session, had resulted in the drawing up of a programme of work and the identification of recommendations to which the highest priority should be given". At the same time, the General Assembly expressed "serious concern at the lack of progress in solving the substantive problems with which the Conference was faced" and reaffirmed "the continuing and urgent need for Member States, in the light of the Final Act of the Conference, to take full account in their trade and development policies, of the needs of the developing countries and the need for prompt, decisive and concrete measures devised to solve these problems". The Assembly reaffirmed this serious concern in its unanimously adopted resolution 2209 (XXI) of 17 December 1966 and urged "the Governments of the developed and developing States members of the Conference, each in their particular spheres of responsibility, to do their utmost to achieve the greatest possible progress in the implementation of the recommendations of the Conference at its first session, in the light of the Final Act, relating to matters in which progress could be expected before the second session of the Conference . . .".

20. The Secretary-General of the United Nations, commenting on the performance of UNCTAD in 1966 and 1967,¹⁸ observed that UNCTAD had consolidated its activities, and that a general advance had been made in the identification and examination of the main problems faced by the world trading community in the fields of commodities, manufactures, financing, invisibles and shipping, as well as on the broad levels of trade policy in general and of development assistance. He said that UNCTAD was thus now fully in operation as a mechanism for evolving an integrated trade and development policy, continuing the historical process that had brought about the Geneva Conference of 1964 which had given birth to this new instrument for international economic co-operation. The Secretary-General considered it also his duty to record, however, that progress made towards the fulfilment of the aims and objectives set forth in 1964 had been alarmingly slow.

¹³ See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 3*, annex II.

¹⁴ *International Monetary Issues and the Developing Countries* (United Nations publication Sales No.: 66.II.D.2).

¹⁵ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 53 and 54.

¹⁶ *Supplementary Financial Measures — a Study requested by the United Nations Conference on Trade and Development, 1964* (International Bank for Reconstruction and Development, December 1965).

¹⁷ TD/B/C.3/29.

¹⁸ See *Official Records of the General Assembly, Twenty-second session, Supplement No. 1A*, paras. 70 and 71.

21. This brief account of the establishment, operation and orientation of UNCTAD between the first and the second sessions of the Conference should be placed against the background of the salient features of world trade and development during that period. These are described hereunder.

Chapter III

Recent trends in world trade and development¹⁹

22. The second session of the Conference took place in a setting of changing trends in world trade and development. The Final Act, after affirming that an expansion of the trade of developing countries was a prerequisite for their accelerated economic development had briefly described a number of the salient world economic trends hampering their rate of economic progress and reflecting inadequacies in the structure of international economic relationships. The further evolution of trends in economic growth, international trade and development finance, as well as developments in international trading, economic and monetary policies since the first session of the Conference, and in relation to the experience of earlier years, are outlined below.

23. During the first six years of the present decade the following changes occurred in the rhythm of growth of the world's main economic regions as compared with the experience of the preceding quinquennium. The developed market economies succeeded in raising their average annual rate of growth of gross national product (GNP) from 3.2 per cent in the latter half of the 1950s to about 5 per cent in the period 1960-1966. The real material product of the socialist countries of Eastern Europe rose at an annual rate of 8.1 per cent between 1955 and 1960 and by nearly 7 per cent in the 1960s. The average annual rate of economic growth of developing countries, in terms of total real product, in the period 1955-1960 was 4.6 per cent and in the period 1960-1965 it was 4.5 per cent. During the first quinquennium of the United Nations Development decade the developing countries succeeded in passing the 5 per cent target growth rate only once, in 1964. Since then their expansion has been slower; in 1965 the combined GDP of the developing countries rose by less than 4 per cent, and by some 4.5 per cent in 1966. Thus, the economic growth of the developing countries, far from accelerating, has tended to fall back

from the disappointing long-term average rate of 4.6 per cent which obtained during the ten years preceding 1964; indeed, their economic growth has been inadequate in recent years so that there is now little prospect of attaining the minimum growth target of 5 per cent set for the developing countries at the end of the Development Decade. The fact that developing countries have been unable as yet to reach this modest goal gives rise to concern, inasmuch as the 1960s have been a relatively dynamic decade elsewhere.

24. The inadequacy of this pace of growth in the developing countries becomes still clearer when the increase in output is related to the increase in population. Between 1958 and 1965 the annual rates of increase of population were 2.5 per cent in the developing countries, 1.2 per cent in the developed market-economy countries and 1.6 per cent in the socialist countries. The faster rate of increase in the population of the developing world is one of the factors explaining why the gap between *per capita* income in the developing and developed countries has continued to widen. In the first two years following the first session of the Conference, income *per capita* rose at the annual average of 3.5 per cent in the developed market-economies and by nearly 6 per cent in the socialist economies of Eastern Europe. In the developing countries, however, the corresponding rate was below 2 per cent, a disturbingly low figure. In the period 1960-1965, the corresponding rates of growth for those groups of countries were 3.6 per cent, 5.5 per cent and 2.0 per cent respectively. Behind these broad tendencies in aggregate magnitudes of GDP and *per capita* income there has been a marked diversity in the growth record of the developing countries, and regions. A number of these countries achieved a conspicuously better rate of growth than average, while others, including some of the most populous countries, experienced low rates of growth. A comparison of five-year averages shows that the majority of the population of the developing world lives in those regions where economic growth has been slowest in the latter periods; in the years 1955-1960, 33 per cent of the entire population of the developing world lived in countries whose national output *per capita* grew at a yearly average of less than 1.5 per cent; in the 1960-1965 period the proportion of population living in countries with such low growth rates has risen to 66 per cent.

25. The pace of world trade expansion has quickened in the 1960s — rising to an annual rate of 8 per cent from 1960 to 1966 from 6.4 per cent in the latter half of the 1950s, although a certain slackening has set in since 1964. About 52 per cent of world trade in 1966 consisted of trade among the developed market-economies, and the tendency has been for the proportion of their intra-group trade to rise still higher: in 1966 it constituted as much as three-fourths of their total trade. Trade between developed market-economies and socialist countries has been growing much faster than world trade as a whole: from 1960 to 1966 exports from developed market-economies to the socialist countries grew at an average annual rate of 11.6 per cent, and the expansion of the opposite flow has been equally fast. But the share of such exchanges in total world trade is still small — 2.8 per

¹⁹ The statistical data relating to trade and aid in the following text have been drawn exclusively from UNCTAD secretariat studies submitted to the Conference: namely, documents TD/5/Rev.1 (Review of International Trade and Development, 1967), (United Nations publication, Sales No.: E.68.II.D.4); TD/7 and Corr.1 (Growth, development finance and aid); and TD/STAT.1 (Handbook of International Trade and Development Statistics). This information has been supplemented in respect of values of export credits and debt servicing, by material drawn from the review of the Organisation for Economic Co-operation and Development (OECD) — *Development Assistance Efforts and Policies*, 1967. References to rates of growth of output and income in socialist countries relate to the material product system concept of national accounts—i.e., the value of non-productive services is excluded from the aggregates. The definition of "debt-servicing", "indebtedness", etc., are those used in the studies published by IBRD.

cent in 1966, indicating that the potential for further expansion is considerable. The developed market-economy countries raised their share of world trade from 61 per cent in 1950 to about 70 per cent in 1966, and the socialist countries of Eastern Europe from 8 per cent in 1950 to 10.2 per cent in 1966, with virtually no change thereafter.

26. The share of developing countries in total world trade has steadily declined: from just under 31.2 per cent in 1950 it had fallen to 19.1 per cent in 1966; if oil exports are excluded, the decline over the same period was from 24.4 per cent to just over 14 per cent. Exchanges within the group of developing countries have steadily diminished as a share of total world trade to about 3 per cent in 1966, such exchanges representing only 16 per cent of the total trade of the group, but this declining tendency seems to have been arrested in recent years, mainly owing to the successes in trade expansion of the two integration systems in Latin America.

27. The variety of growth rates by commodity classes goes far towards explaining the diversity in the trading performance of different areas; and, in this respect, trading experience in the first half of the 1960s has provided further evidence of long-term trends in the structure of world trade which operate to the relative disadvantage of the majority of developing countries. In particular, the share of primary commodities in total world trade has continued to contract, while that of manufactured products has maintained a rising trend. Moreover, those primary commodities which experienced higher growth rates of exports than average — for example, some temperate-zone food-stuffs and certain synthetic substitutes such as plastic materials — are mainly exported by developed countries; thus, between 1960 and 1965 the value of exports of primary products from developed countries increased at an annual average rate of 6.3 per cent, as compared with 3.5 per cent in respect of such exports from developing countries. World exports of raw materials have been most severely affected by structural changes in international trade, rising in value by only 3 per cent a year between 1960 and 1965; food exports have fared better, with an annual increase of 4.6 per cent in volume terms and, thanks to higher average prices, by 6.3 per cent in value; and exports of fuel,²⁰ though rising at a rate below the average for world trade, have been the most dynamic segment of trade in primary commodities. Exports of manufactures have been the spearhead of progress in world exports, with the highest rates of growth, in value terms occurring in such products as chemicals, machinery and transport equipment.

28. In consequence, the countries whose exports consist mainly of manufactured products have stood to benefit most from the buoyant expansion of demand for them. Both the developed market economy countries and the socialist countries of Eastern Europe have participated in this dynamic growth, the most sought-after manufactures mentioned above accounting for more than one-third of the total exports of each of these groups of countries. The commodity structure of exports from developing countries offers a stark contrast, inasmuch as the

share of the slowest growing group of exports — raw materials — accounted for 28 per cent of their total exports in 1960 (23 per cent in 1965), food for no less than 30 per cent (29 per cent in 1965). The remainder consisted of fuel (28 per cent in 1960 and 31 per cent in 1965), with all manufactures accounting for only 14 per cent in 1960 and 17 per cent in 1965.

29. The growth of exports from developing countries has therefore been relatively slow — 6 per cent *per annum* on average between 1960 and 1966, as against rates of 8.8 per cent for exports from developed market-economies and 8.3 per cent in respect of those from the socialist countries of Eastern Europe. Thus, notwithstanding the substantial improvement that has occurred in the 1960s in the export performance of developing countries, their export growth has lagged appreciably behind the average for world trade, with the resultant contraction of their share in world trade to 19.1 per cent in 1966 that has already been noted. The flow of exports from developing countries to developed market-economy countries has risen during the 1960s at an annual average rate of 5.8 per cent, but this growth has not sufficed to prevent a decline in the share of imports from developing countries from 24 per cent of total imports into these countries in 1960 to 20 per cent in 1966. An opposite change occurred in the share of imports from developing countries in the total imports of socialist countries of Eastern Europe, the faster growth of the former imports, at a rate of 12.8 per cent a year, resulting in an increase in the developing countries' share from 7.4 per cent in 1960 to 10 per cent in 1966. This enlargement of market outlets in the socialist countries of Eastern Europe was, however, more than offset by the relative decline, noted above, experienced in the large markets of the developed market-economy countries, which absorb over 70 per cent of all exports from the developing world.

30. The problems posed by the sluggish export growth of the developing countries have been aggravated by the adverse movement of their terms of trade. Apart from a short-lived improvement in 1963-1964, the trend in the terms of trade of developing countries has been downward. Although the magnitude of the deterioration by 1966 varies according to the reference year chosen, the direction of change is beyond dispute; for example, taking 1954 as a base, the deterioration amounted to 13 per cent; taking 1955 as a base, it was 10 per cent; taking 1960 as a base it was 4 per cent. The loss borne by the developing countries on account of the worsening in their terms of trade was equivalent to a considerable part of the aid received by them, although the extent of the loss varies according to the reference period chosen for estimation. Thus, taking as a base for estimation the average export and import prices ruling in the years 1953-1957, the average annual magnitude of this loss has been put at nearly \$2.2 billion, or an appreciable proportion — roughly one-fifth — of the annual net capital flow into developing countries from all sources²¹ in the years 1961-1965. An-

²⁰ SITC section 3, comprising petroleum, coal, etc.

²¹ The bases of this estimate are set out in annex table 2 of document TD/5/Rev.1. By "all sources" reference is made to finance originating in all groups of countries, whether channelled through official or private, bilateral or multilateral agencies. Southern European countries are excluded from the group of recipient countries.

other manifestation of these unfavourable price developments in the trade of developing countries is provided by comparing rates of change in the volume, value and purchasing power of their exports. Despite an annual increase in the volume of exports of some 5 per cent in the 1955-1965 decade as a whole, the declining unit values of exports brought the growth in the value of exports below that of their volume. There was, furthermore, a simultaneous rise in import prices, the net outcome of these movements being a consistently lower rise in the purchasing power of exports than the increase in the value of exports: over the decade 1955-1965 the purchasing power of exports went up by as little as 3.4 per cent a year, or 1.8 per cent if exports of petroleum are excluded.

31. The import capacity of developing countries depends not only on the revenue earned by their exports and the prices that have to be paid for imports, but also on their net capital inflow. In this sphere neither the volume nor the conditions of capital flows have matched the expectations or requirements of the developing countries. A mounting burden of external indebtedness, much of it a short-term liability, has resulted. The annual gross flow of official capital towards the developing countries through bilateral channels grew from approximately \$5.1 billion in 1961 to \$6.7 billion in 1966, an increase of 5 per cent a year over the five-year period. However, the flow net of rising amortization and interest charges, failed to rise by more than 2.5 per cent a year. Further, the share of the total capital outflow from developed market-economies to developing countries had fallen from 0.87 per cent of their combined GNP in 1961 to 0.72 per cent in 1965, and appears to have fallen again to 0.63 per cent in 1966; although provisional data indicate that there may have been some recovery in 1967. As for the commitments of financial resources by the socialist countries to the developing countries and multilateral agencies, such aggregative data as exist for the group as a whole suggest that they have undergone marked fluctuations in the past ten years, total gross disbursements during the 1960s having been estimated at about \$300-500 million a year.

32. Plainly, there is not an advance towards, but retrogression from, the terms of the recommendation in annex A.IV.2 of the Final Act, which states that "Each economically advanced country should endeavour to supply in the light of the principles of annex A.IV.1 financial resources to the developing countries of a minimum net amount approaching as nearly as possible to 1 per cent of its national income . . .".²²

33. Awareness of the difficulties caused by such tendencies was reflected in the following unanimously adopted Agreed Statement on the Problems of Development, issued on 19 April 1967 by representatives of all groups of countries meeting under the auspices of UNCTAD: "It is a matter of concern that the flow of financial resources from developed countries, in support of the developing countries' efforts, has failed in recent years to keep pace with the growth in the national incomes of the developed

countries, even though most developing countries could immediately put into effective use a greater volume of external assistance (see para. 16 above and document TD/7, and Corr.1, para. 16).

34. As regards the terms of aid, there has been an overall deterioration, notwithstanding an improvement in the practices of some aid-giving countries. Grants, as a percentage of gross official disbursements by countries members of the Development Assistance Committee (DAC) of OECD declined from 73 per cent in 1962 to 61 per cent in 1965; the weighted average interest rate on official loans accorded by these countries softened to 3 per cent in 1964, but by 1965 was again up to the 3.6 per cent rate obtaining in 1962; similarly, the average maturity of new loan commitments had shortened to twenty-two years in 1965, following a short-lived improvement from twenty-four to twenty-eight years between 1962 and 1964; finally, the grace periods attaching to loan commitments shortened, on a weighted average, from 6.9 years in 1964 to 5.4 years in 1965. In addition, the recent increase in the practice of tying aid to purchases from certain capital-exporting countries has tended not only to add to the costs of some recipient countries but also to reduce the efficiency of the assistance and its beneficial influence on economic growth in developing countries.

35. For many developing countries, one result of these changes has been a further increase in accumulated indebtedness and, as a corollary, of the burden of debt-servicing: according to estimates made by the staff of IBRD, the total accumulated indebtedness of developing countries slightly exceeded \$40 billion at the end of 1965, having increased by 17 per cent over 1964; in 1966 there was a substantial further increase, certainly exceeding \$4 billion. Recent years have seen a sharp increase in one major component of this indebtedness — private export credits — to record levels; in 1966 the annual increase in such credits, with maturity of five years or less, amounted to \$487 million, or nearly 30 per cent above the previous ceiling attained in 1960. A similar increase has occurred in export credits with longer maturities. While these global figures include very different situations so far as individual countries are concerned, on both the lending and borrowing sides, there is no doubt that the aggregate debt-servicing commitments of the developing countries have increased sharply in recent years, to reach an annual rate in the mid-1960s of \$4.2 billion, equivalent to about 12 per cent of merchandise exports as compared with 6 per cent ten years earlier.

36. In the sphere of international trade and financial policy, the interval between the first and second sessions of the Conference was distinguished by two significant agreements in 1967 resulting from a lengthy process of analysis and negotiation concerning, respectively, a lowering of tariffs and special drawing rights leading to greater international liquidity. In addition to the important agreements reached in the Kennedy Round of trade negotiations, and within international Monetary Fund (IMF), many other changes with potentially far-reaching effects have taken place in recent years in the domain of trade policy. In particular, the years since the first session of the Conference have seen the further vigorous development of the movement towards regional integration and a concom-

²² See *Proceedings of the United Nations Conference on Trade and Development*, vol. I.: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 44.

itant evolution in trading practices either within or between major regional and sub-regional economic groupings.

37. The important new measures undertaken in developing regions to promote economic co-operation and regional integration have been in consonance with the terms of the recommendation in annex A.IV.10Q²³ of the Final Act and are the expression of a policy which has secured growing support in both developing and developed countries. In Latin America the members of the two principal sub-regional integration systems — the Latin American Free Trade Association (LAFTA) and the Central American Common Market — have achieved a rapid expansion of their intra-trade, have enlarged their spheres of co-operative activity, and have decided to enter into negotiations with a view to establishing a joint, and expanded, Latin American Common Market. In Africa, measures have been taken to consolidate existing groupings and to initiate wider co-operation in the broader framework of the sub-regions of the United Nations Economic Commission for Africa (ECA), while there has been a simultaneous intensification in activities relating to output and marketing of important products of the region. Regional economic co-operation has also prospered in Asia and the Far East, on the basis of expanded or new inter-governmental bodies and of new forms of regional co-operative projects. Finally, a significant development in co-operation among countries belonging to different regions warrants mention: in December 1966 a tripartite agreement was concluded between India, the United Arab Republic and Yugoslavia providing for co-operation in the spheres of trade, joint industrial ventures, and finance.

38. The first of the two major agreements (mentioned in paragraph 36 above) was the successful conclusion in May 1967, within the framework of the General Agreement on Tariffs and Trade, of the Kennedy Round of tariff negotiations, the outcome of which is generally expected to be a stimulus to the further growth of world trade. It has been widely recognized, however, that the resultant trade expansion is likely to occur principally in the reciprocal exchanges of developed market economies, and that most developing countries can be expected to reap much smaller benefits from the agreement. Indeed, the group of developing countries participating in the negotiations issued a statement at their close, on 30 June 1967, to the effect that "the most important problems of most of these countries in the field of trade, and which were taken up within the framework of these negotiations, remain unresolved", and went on to urge that arrangements be made "for negotiations at the earliest possible date during the current year, within the framework of GATT, with a view to reaching agreement on these outstanding questions". (GATT/994.)

39. Secondly, at the Annual Meeting of the Board of Governors of the International Monetary Fund, held at Rio de Janeiro in September 1967, agreement was reached on an outline to create Special Drawing Rights within IMF.²⁴ Again, the immediate benefits of these measures

for providing more liquidity, when that is considered necessary, may be expected to accrue primarily to the major financial centres of the world. The direct participation of the developing countries in the creation of additional liquidity will be proportionate to their IMF quotas. None the less, agreement on the plan of reform is potentially important for the developing countries, too, inasmuch as timely access by the developed market economy countries to resources required to deal with possible balance-of-payments disequilibria reduces the need for recourse by such countries to corrective action liable to restrict their economic expansion and hence the growth of exports from developing countries.

Chapter IV

The objectives of the second session of the Conference

40. The primary purpose for which the United Nations Conference on Trade and Development was created as part of the United Nations system was to serve as an agent of accelerated economic development for all countries, by means of formulating and carrying into effect new development-oriented trade policies through the combined efforts of the entire international community. Furthermore, the terms of the Final Act, as well as those of General Assembly resolution 1995 (XIX) of 30 December 1964, emphasized that one of the main tasks of the new organization was to be the promotion of economic progress in the developing countries by means of an extensive development of world trade that would be equitable and advantageous to all countries.

41. The second session of the Conference was envisaged as a new and potentially decisive stage in the continuing pursuit of these ends. On the basis of thorough studies and debates undertaken by the subsidiary organs of the Conference in the interval between its 1964 and 1968 sessions, on the difficulties in the way of fuller international trade and financial co-operation, progress was made in successive stages towards a clearer definition of the specific objectives of the second session of the Conference in respect of specific problems. The institutional sequence through which agreement on these objectives evolved is traced in broad outline in part two of this report. A signally important part of this process was the advance, from the broad aims for the second session of the Conference as laid down in General Assembly resolution 2206 (XXI) of 17 December 1966, towards consensus on more detailed objectives which were put forward by the Trade and Development Board at its fifth session²⁵ which took place before the New Delhi Conference. These objectives were given more detailed expression by the Ministerial Meeting of the Group of 77 at Algiers in October 1967.

Reconstruction and Development, the International Finance Corporation and the International Development Association (see IMF, *Summary Proceedings, Annual Meeting, 1967*, pp. 271-279).

²⁵ See report of the Trade and Development Board on its fifth session (*Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*).

²³ *Ibid.*, p. 48.

²⁴ See resolution No.22-8, adopted on 29 September 1967 by the Board of Governors of the International Monetary Fund, in joint session with the Boards of Governors of the International Bank for

42. Notwithstanding the diverse approaches adopted by the various countries and groups of countries to the most appropriate solutions for a number of the problems appearing on the agenda of the subsidiary organs of the Conference, as well as of the Conference itself, at the third and fourth sessions of the Board complete accord was reached at an early stage of preparations for the second session of the Conference. General Assembly resolution 2206 (XXI) states that the Conference should "provide a forum for the further examination of major issues of trade and development, including the consideration of further action for the implementation of the recommendations adopted at the first session of the Conference"; that it should "concentrate in particular on a limited number of fundamental and specific subjects with a view to achieving practical and concrete results by means of negotiations aimed at securing the greatest measure of agreement"; and that "adequate preparatory work was necessary to ensure the success of the second session".

43. An illustrative listing of such problems, in respect of which preparatory work had been completed, and which had reached a stage where agreement could be achieved on how they should be tackled and where practical solutions could be adopted, had been put forward by the Secretary-General of UNCTAD at the Board's fifth session. The list also comprised problems of international trade and finance which, without yet having reached a comparable stage of maturity, "were so important as to merit consideration with a view to clarifying the issues involved and determining what solutions might subsequently be adopted". The list of specific problems warranting action or consideration by the Conference²⁶ was as follows:

- (a) Access of primary commodities to the markets of industrialized countries as an important element in commodity policy;
- (b) Preferences for the manufactures and semi-manufactures exported from the developing countries;
- (c) Trade relations among developing countries;
- (d) Trade between the socialist countries and the rest of the world, in particular developing countries;
- (e) The world food problem;
- (f) Transfer of financial resources to developing countries and the terms and conditions of this transfer;
- (g) Debt service burden;
- (h) Supplementary financing;
- (i) Financing of buffer stocks;
- (j) Special measures for the least developed among the developing countries.

44. The utility of grouping a number of the salient tasks, or points of crystallization, to which the Conference would address its deliberations, commanded general support without necessarily being considered by all countries represented as an exhaustive expression of the relative importance, or maturity for action, of the tasks before the New Delhi Conference. Indeed, the widespread recognition of the advantages of this approach was reflected in the terms of General Assembly resolution 2296 (XXII) of 12 December 1967, adopted unanimously, which reproduced a summary of what, in the personal judgement of the President

of the fifth session of the Board, constituted the three main objectives of the Conference, namely:

- (a) To re-evaluate the economic situation and its implications for the implementation of the recommendations of the first session of the United Nations Conference on Trade and Development;
- (b) To achieve, through appropriate forms of negotiations, specific results that ensure real progress in international co-operation for development;
- (c) To explore and investigate matters requiring more thorough study before agreements can be envisaged.

45. Commenting on the problems to be dealt with in the light of these objectives of the Conference, in his personal assessment of the outcome of the debates of the fifth session of the Board, which was commended by all groups of countries as providing a valuable guide to the work of the Conference, the President of the Board advanced the following suggestions as to potentially fruitful approaches:²⁷

On access of primary commodities to the markets of industrialized countries, as an important element in commodity policy: action can be successful only by means of a commodity-by-commodity approach, without any opposition in principle to the idea that matters relating to international commodity policy should also be examined from the standpoint of general guidelines. This is true, for example, of the functions, operation and financing of buffer stocks, market stabilization techniques, price policies, etc.

On preference for the manufactures and semi-manufactures exported from the developing countries: the question of the granting of preferences for manufactures and semi-manufactures on a non-reciprocal, non-discriminatory basis in favour of the developing countries is mature for consideration. Such consideration should lead to agreement on the main outlines of such a scheme of preferences. The Conference should determine how the results of the Kennedy Round will affect the developing countries. The ground would thus be prepared for an examination of the progress still to be made towards reducing tariffs and other barriers to the export of the developing countries;

On trade promotion: consideration of a programme for the promotion of exports of semi-manufactured and semi-finished articles leading to decisions implementing the proposals submitted jointly by the Secretary-General of UNCTAD and the Director-General of GATT for the establishment of a United Nations trade promotion programme and for joint management by both bodies of the GATT International Trade Centre;

On financing related to trade: with regard to the volume and the terms and conditions of development aid, the "Agreed Statement" sets out a number of aims which the Conference should endeavour to attain, taking into account the views expressed on the relationship between internal resources and external assistance. Detailed discussion is to be expected on the problem of indebtedness, with reference to the background material contained in the "Agreed Statement";

On supplementary financing: submission by the Intergovernmental Group on Supplementary Financing of a report concerning the proposals of the IBRD staff and,

²⁶ *Ibid.*, part one, para. 6.

²⁷ *Ibid.*, part one, para. 31.

hopefully, of the broad outlines of a draft, or alternative drafts, which will enable it to rule on the principle and, if appropriate, on the methods of application and on co-ordination with other sources of finances;

On trade expansion, economic co-operation and integration among developing countries: the Conference might concentrate its work on the action programmes contemplated by developing countries and the international support which could promote their execution;

On trade relations between countries with different economic and social systems, including problems of East-West trade, with particular reference to the commercial interests of developing countries: constructive discussions on this question which would in effect continue in length and breadth those which have taken place at the present session of the Board;

On the world food problem: the second session of the Conference is expected to pay serious attention to this problem within the scope of its competence;

On the question of the least advanced among the developing countries: the unanimous opinion of the Board stresses that the Conference should deal with the problems peculiar to these countries;

On certain aspects of the shipping problem: continuing discussion.

46. The Secretary-General of the United Nations, in the Introduction to his Annual Report on the Work of the Organization submitted to the twenty-second session of the General Assembly, referred to the nature of the decisions that would have to be taken for the attainment of the objectives of the Conference. There was "no doubt that the political will of Governments of Member States will remain the main factor which will determine the extent to which the United Nations Conference on Trade and Development can constitute an effective mechanism for the adoption of concrete solutions... What we should expect from the second session of the United Nations Conference on Trade and Development on these major issues of trade and development are basic political decisions which may allow the permanent machinery of the Conference to pursue many of its tasks in operational problems. A series of convergent follow-up measures could then be envisaged, aiming at concrete agreements and practical results within a certain set time".²⁸

47. In its resolution 2296 (XXII) of 12 December 1967, concerning the second session of the Conference, the General Assembly also referred to a wider objective which the Conference might serve, and one in respect of which attitudes had evolved since its initial exposition by the Secretary-General of UNCTAD before the fifth session of the Trade and Development Board. On that occasion the Secretary-General of UNCTAD had affirmed his conviction that the deep-seated problems of development

necessitated the formulation of a global strategy of development at the international level, involving concerted action by both industrialized and developing countries. This argument was reiterated in the Charter of Algiers (TD/38),²⁹ in the preface to the detailed exposition of a programme of action, where it was stated that "traditional approaches, isolated measures and limited concessions are not enough. The gravity of the problem calls for the urgent adoption of a global strategy for development requiring convergent measures on the part of both developed and developing countries". A similar view was expressed in a number of resolutions adopted by the General Assembly: in resolution 2206 (XXI) of 17 December 1966 the hope was expressed that substantial progress would be achieved both in the implementation and in the further elaboration of international policy on development; in resolution 2296 (XXII) reference was made to the urgent need for measures contributing to the elaboration of an international development strategy; and in resolution 2305 (XXII) of 13 December 1967 relating to the next United Nations Development Decade, the General Assembly requested the Secretary-General to put forward suggestions, *inter alia*, "on the basis of the results of the second session of the United Nations Conference on Trade and Development" concerning "appropriate means of harmonizing measures... in the preliminary framework of an international development strategy".

48. The bearing of the work of the Conference, within the United Nations family of organizations, on the long-range task of overcoming the widening gulf in the level of economic development between the developed and developing countries was also referred to in the context of the need for a global development strategy by the Secretary-General of the United Nations in his address to the second session of the Conference (51st meeting): "The world is entitled to expect a clearer definition of the objectives to be achieved in the longer run and an indication of the practical steps which each country and group of countries intends to take for the realization of these objectives". (see TD/67 and annex IX to this report). Moreover, as recorded in part three of this report, several contributions to the general debate echoed this hope that the Conference would take as one of its objectives progress towards a consensus on the contribution that it could make, within the realm of its competence, towards the formulation of an international strategy for development. An outline of the need for such a strategy, of its significance, and of the convergent measures that would have to be taken co-operatively for its successful implementation had formed the subject-matter of a report entitled *Towards a Global Strategy of Development*, submitted by the Secretary-General of UNCTAD to the Conference (TD/3/Rev.1).³⁰

²⁸ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, paras. 72 and 74.

²⁹ The full text of the Charter of Algiers is reproduced in annex IX to this report.

³⁰ United Nations publication, Sales No.: E.68.II.D.6.

PART TWO

ORGANIZATION OF THE CONFERENCE

49. The second session of the United Nations Conference on Trade and Development was convened in New Delhi from 1 February to 29 March 1968 in accordance with the decision of the General Assembly in its resolution 2206 (XXI) of 17 December 1966.

50. Preparation for the Conference was one of the tasks assigned to the continuing machinery of UNCTAD. The Trade and Development Board accordingly considered the matter in a preliminary way at its first and second sessions.³¹ There was a more detailed examination at its third session, when a number of views were put forward. "The opinion was expressed that, the first Conference having set up the framework of what, in essence, constituted a new international policy for trade and development, the second Conference should concentrate its attention on ways and means of implementing the recommendations of the first Conference. It was generally agreed that the theme of the second session of the Conference should be 'action and achievement'. It was widely agreed, moreover, that the second Conference should be selective in its approach in order to concentrate its attention on matters of fundamental importance."³²

51. At its fourth session, in September 1966, the Board considered in detail the items proposed for inclusion in the agenda of the second Conference by States members of UNCTAD, on the basis of a tentative list prepared by the Secretary-General of UNCTAD, as well as the question of the place and date of the Conference.³³ It decided to accept the offer of the Government of India to provide host facilities for the second session of the Conference and to recommend to the General Assembly that the Conference be held in New Delhi.³⁴ It also approved the draft provisional agenda for the second session of the Conference and agreed to forward it to all States members of UNCTAD, to the subsidiary bodies of the Board, to the regional economic commissions of the United Nations and to the United Nations Economic and Social Office in Beirut, as a basis for the preparation of the second session of the Conference, and for such comments, observations or recommendations as they might wish to submit to the Board at its fifth session on the substance of the items in the draft provisional agenda.

52. After considering the reports of the Trade and Development Board on its third and fourth sessions, the General Assembly in resolution 2206 (XXI) called upon

the Board and its subsidiary bodies, in their preparations for the second session of the Conference, "to take into account the objectives outlined in the first three paragraphs of the preamble" of that resolution. The Assembly also requested the Board "to attempt to identify the issues on which preparatory work would have progressed sufficiently to enable specific programmes of action to be drawn up at the second session of the Conference by means of negotiations aimed at securing the greatest possible measure of agreement".

53. After thorough debate, the Board at its fifth session unanimously adopted the provisional agenda for the second session of the Conference,³⁵ drawn up in accordance with the objectives outlined in General Assembly resolution 2206 (XXI). It was at the close of the discussion that the President made his assessment of what constituted the main objectives and the "points of crystallization" referred to in paragraphs 44 and 45 of this report dealing with the objectives of the Conference.

54. A number of inter-governmental meetings at the ministerial level of States members of UNCTAD were convened, particularly in the last quarter of 1967, to consider the issues before the New Delhi Conference with a view to evolving their contribution to its success. A Ministerial Meeting of the Group of 77³⁶ was held in Algiers from 10 to 25 October 1967. The Meeting adopted the Charter of Algiers, covering substantive issues on the agenda of the second session of the Conference which was circulated as a document of the Conference (see para. 47 above). The Algiers Ministerial Meeting had been preceded by regional meetings of the African, Asian and Latin American countries members of the Group of 77, held at Algiers, Bangkok and Bogotá, which adopted the African Declaration of Algiers, the Bangkok Declaration and the Charter of Tequendama respectively. Ministers and Vice-Ministers of Foreign Trade of countries members of the Council for Mutual Economic Assistance (CMEA) met with the Secretary-General of UNCTAD in Moscow on 22 November 1967 in connexion with preparations for the New Delhi Conference. A Ministerial Meeting of the OECD, which, among other matters, dealt with preparations for the Conference, took place in Paris from 30 November to 1 December 1967.

55. The representatives of the Group of 77 participating in the Ministerial Meeting at Algiers decided to send six high-level Goodwill Missions to visit the following groups of countries respectively:

³¹ See *Official Records of the General Assembly, Twentieth session, Supplement No. 15*, part one, para. 167, and part two, paras. 116-119.

³² *Ibid.*, Twenty-first session, Supplement No. 15, part one, para. 88.

³³ *Ibid.*, part two, paras. 47-78.

³⁴ *Ibid.*, para. 78.

³⁵ *Ibid.*, Twenty-second Session, Supplement No. 14, part one, annex I, decision 39 (V) of 7 September 1967. The text of the provisional agenda is reproduced in document TD/1 and Cov. 1 and 2.

³⁶ Which now comprises 88 countries of Africa, Asia and Latin America.

(a) The Benelux countries, France, the Federal Republic of Germany, and the headquarters of the European Economic Community (EEC) in Brussels;

(b) The United Kingdom of Great Britain and Northern Ireland and the Nordic countries;

(c) The United States of America, Canada, IBRD and IMF headquarters in Washington, D.C.;

(d) Italy, Austria, Switzerland, the Holy See, and the headquarters of the European Free Trade Association (EFTA) and UNCTAD in Geneva;

(e) The socialist countries of Eastern Europe;

(f) Japan, Australia and New Zealand.

These missions, which were entrusted with the task of informing and persuading, were to acquaint the respective Governments of the countries to be visited of the conclusions of the Meeting so as to contribute to the creation of the best possible conditions for negotiations on the programme of action at the second session of the Conference. The Governments of the countries to be visited expressed their willingness to receive the Goodwill Missions. The visits then duly took place. The President of the Ministerial Meeting of the Group of 77 presented the Charter of Algiers to the General Assembly of the United Nations at its twenty-second session and to the Secretary-General of the United Nations.

56. The General Assembly, in its resolution 2296 (XXII) of 12 December 1967, took note with satisfaction of the report of the Trade and Development Board for the period from 25 September 1966 to 9 September 1967 and, in particular, of the agreement reached at the fifth session of the Board on the various aspects of the preparatory work for the second session of the United Nations Conference on Trade and Development; it invited the Governments of the States members of the Conference "to give serious consideration, in their preparation for the second session of the Conference, to the Charter of Algiers, in particular to part two entitled 'Programme of Action', bearing in mind that special measures are to be worked out for the less developed countries, as suggested in that Charter"; and renewed "its appeal to Governments of the States members of the Conference to make the maximum efforts, both in their preparations for the second session and during the deliberations of the Conference, to ensure its success with a view to the fulfilment of its basic objectives". The General Assembly, in the same resolution, also drew the attention of the Conference to the statement made by the President of the Trade and Development Board at its fifth session which was commended by the spokesmen of the various groups as a valuable guide to the work of the Conference, in particular to the three basic objectives of the second session of the Conference mentioned in paragraph 44 of this report.

57. On the recommendation of the Board, the Conference was preceded by a Preparatory Meeting, held from 29 to 31 January 1968, of senior officials representing the States participating in the Conference.

58. After these preparations and firmly resolved to make the maximum efforts to ensure the success of the Conference and bearing in mind the fulfilment of its basic objectives, the representatives of the following 121 States members of UNCTAD gathered in New Delhi

from 1 February to 29 March 1968 to take part in the second session of the United Nations Conference on Trade and Development: Afghanistan, Algeria, Argentina, Australia, Austria, Barbados, Belgium, Bolivia, Brazil, Bulgaria, Burma, Burundi, Byelorussian Soviet Socialist Republic, Cambodia, Cameroon, Canada, Central African Republic, Ceylon, Chad, Chile, China, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cuba, Cyprus, Czechoslovakia, Denmark, Dominican Republic, Ecuador, Ethiopia, Federal Republic of Germany, Finland, France, Gabon, Gambia, Ghana, Greece, Guatemala, Guinea, Guyana, Holy See, Honduras, Hungary, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Ivory Coast, Jamaica, Japan, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Liechtenstein, Luxembourg, Madagascar, Malawi, Malaysia, Mali, Malta, Mauritania, Mexico, Monaco, Mongolia, Morocco, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Pakistan, Peru, Philippines, Poland, Republic of Korea, Republic of Viet-Nam, Romania, Rwanda, San Marino, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, South Africa, Southern Yemen, Spain, Sudan, Sweden, Switzerland, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Arab Republic, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia, Zambia.

59. At a special ceremony held on 1 February 1968, Mrs. Indira Gandhi, Prime Minister of India, delivered an inaugural address,³⁷ in which she said, *inter alia*, that the elimination of poverty and the development of impoverished regions were now widely accepted as international obligations and in order to discharge them, it was imperative that the international community should find ways and means to intervene effectively in defining the responsibility of economic power, in matching resources to needs and in guiding economic forces towards progress and peace. Poverty, she said, could not be the destiny of the majority of mankind. The question before the advanced nations was not whether they could afford to help the developing nations but whether they could afford not to do so.

60. The Conference was formally opened by Mr. Abdel Moneim Kaissouni, Minister of Planning of the United Arab Republic, President of the first session of the Conference. The Conference elected by acclamation Mr. Dinesh Singh, Minister of Commerce of India, as President of the Conference and heard his opening address.³⁸ At a later stage, the Secretary-General of the United Nations also addressed the Conference.³⁹ A message from His Holiness the Pope was received by the Secretary-General of UNCTAD. Messages of good wishes for a fruitful outcome of the Conference were received from a number of Heads of State and Government.⁴⁰

³⁷ For the text of the address, see annex IX to this report.

³⁸ For the text of the address, see annex IX to this report.

³⁹ For the text of the address, see annex IX to this report.

⁴⁰ For the text of these messages, see annex IX to this report.

61. The Conference, at its opening (37th plenary) meeting, reviewed the lists of States contained in the annex to General Assembly resolution 1995 (XIX). Having been informed that a number of countries, namely, Barbados, Botswana, Gambia, Guyana, Lesotho, Malawi, Maldive Islands, Malta, Singapore, Southern Yemen and Zambia, had been admitted to membership in the United Nations, the Conference decided, under the terms of paragraph 6 of that resolution, to include those countries in the pertinent lists of States contained in the annex to resolution 1995 (XIX).⁴¹ Mauritius, having attained independence on 12 March 1968 and having been admitted to membership of a specialized agency, thereby became a member of UNCTAD and at the 67th plenary meeting of the Conference on 18 March was included in the appropriate list in the said annex.

62. After adopting its agenda and electing its officers — a President, twenty-seven Vice-Presidents⁴² and a Rapporteur, Mr. José A. Encenas del Pando (Peru) — the

Conference heard an opening statement by the Secretary-General of UNCTAD⁴³ and, in the course of subsequent plenary meetings, a series of policy statements by Heads of delegations. Representatives of specialized agencies, regional economic commissions of the United Nations, as well as of inter-governmental bodies and non-governmental organizations whose activities are relevant to the functions of UNCTAD, also addressed the Conference.

63. Five Main Committees of the Whole and three Working Groups were established for the detailed examination of the substantive items of the agenda.⁴⁴ The Bureau of the Conference comprised the President, the Vice-Presidents, and the Chairmen of the five Main Committees, and the Rapporteur.⁴⁵ With a view to facilitating and reaching agreement on the issues facing the Conference, numerous informal meetings and consultations were held within and between groups of delegations throughout the session.

⁴³ For the text of this statement, see annex IX to this report.

⁴¹ The annex to resolution 1995 (XI) as revised is reproduced in annex IA to this report, under "Other decisions".

⁴² For the list, see annex VI, para. 4.

⁴⁴ The reports of these bodies are contained in annex VII to this report.

⁴⁵ A detailed account of the organization of the work of the Conference is contained in annex VI to this report.

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Page 111 of 110

PART THREE

A SUMMARY OF THE GENERAL DEBATE

64. The issues before the second session of the Conference as set out in its agenda ⁴⁶ were considered by the participants both during the general debate, which was intended to provide an opportunity for the heads of delegations to make general policy statements, and also in the Main Committees and other sessional bodies established to deal with particular questions in greater depth and to take appropriate action on them.

65. In this part of the report attention is centred on the discussions which took place during the opening phase of the Conference when the Heads of delegations addressed themselves in plenary to those issues which in their estimation warranted particular emphasis before the Conference embarked upon its detailed work in the sessional bodies. Summaries of the views of all Heads of delegations who participated in the general debate, as well as those of the Under-Secretary-General for Economic and Social Affairs and of the representatives of the regional economic commissions of the United Nations, its specialized agencies and other inter-governmental bodies who participated in the debate are appended to this report. ⁴⁷

66. While the debate in plenary ranged over the entire spectrum of the Conference agenda, the Heads of delegations dwelt on certain issues which they considered important in the context of the objectives of the Conference. The views of their delegations on specific issues before the Conference were amplified in the course of subsequent debates in the sessional bodies. ⁴⁸

67. In his opening address to the Conference, the President, Mr. Dinesh Singh, Minister of Commerce of India, after welcoming all participants, referred to the slow pace at which the developmental process in the developing parts of the world had moved and to the obstacles which, though identified, had remained unsurmounted. The work of the first session of the Conference had aroused expectations, but fulfilment was lagging behind. It was necessary to rescue international co-operation from the present morass and to set about building it up so as to bridge the gap between the intent expressed in the Final Act adopted at Geneva in 1964 ⁴⁹ and its fulfilment. There was need for a massive global effort consisting of synchronized or convergent measures, in all appropriate fields.

⁴⁶ See annex VI to this report.

⁴⁷ See annex V to this report.

⁴⁸ The present account should, therefore, be supplemented by reference to the summary records of the Main Committees and to the reports of the Main Committees and Working Groups (see annex VII to this report).

⁴⁹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

68. The President expressed the hope that the Conference would uncover the basic harmony in the ultimate interests of the peoples of the world and evolve means and modes to break through current limitations and to surmount short-term difficulties with the aim of reaching long-term goals as speedily as practicable. In conclusion, he urged the adoption of practical programmes for national and international action in the field of trade and development and to reinforce the competence of the continuing machinery to implement them.

69. The Secretary-General of the United Nations, addressing the Conference at the 51st plenary meeting, said that the interval between the first and second sessions had been well used in preparing the ground, and if there were difficulties ahead they could be frankly discussed at New Delhi. The political and economic strains in the world were interdependent and there must be a forward move on both fronts. The most important ingredient of international security was economic and social development, and not armaments and armed forces. It had to be admitted that the period since the first Conference had largely been one of frustrated hopes. Whereas there had been success in two major areas — the Kennedy Round and the agreement reached at the Rio de Janeiro meeting of IMF — comparatively little had been done to deal with much more serious problems of world economic development. There were two main reasons for the difference: first, the agreements reached mainly concerned economic relations between the developed countries, which had a larger volume of trade and monetary exchanges with one another than with the developing world; second, the developed world continued to regard its economic relationships with the less developed countries as a one-sided affair in which concessions were granted but not received. He hoped that the time was not far distant when all the developed countries would feel able to emulate those among them which had not only accepted the assistance targets of the General Assembly and UNCTAD but had already implemented them or announced their intention to do so within a fixed period of time.

70. The Secretary-General of the United Nations stated further that the developed countries stood to gain no less than the developing countries from a rationalization of their reciprocal trade relations, and aid also brought direct advantages to those who gave it. In the long run, it helped to quicken the growth of developing countries and thus to build markets for the future. Aid was thus an investment in the future which would be of direct benefit to developed and developing countries alike.

71. He added that UNCTAD was a particularly effective — perhaps the only — forum for the discussion, negotiation and resolution of development problems, since it included all the main groups of countries — developed market-economy, socialist and developing — and

there were striking opportunities for joint approaches by socialist and private enterprise countries to these problems. Ideological differences need no longer deter the undertaking of specific schemes of co-operation across political frontiers. In many ways the trade and aid policies of the private enterprise and socialist economies could be brought together. The time was approaching when socialist participation in multilateral aid could be considered as a logical step forward from their present participation in multilateral technical assistance and a useful complement to their bilateral endeavours. However, if this advance were to be achieved there would have to be, for a start, a solution of difficulties now besetting East-West trade and payments. He stressed that it was an inevitable consequence of growing international interdependence that the constriction of any one channel of economic relationship tended to react adversely upon other channels as well.

72. In conclusion, the Secretary-General said that a general effort would have to be made to go beyond entrenched positions and to negotiate in a spirit, not of confrontation, but rather of earnest endeavour to seek workable and mutually acceptable solutions. The Charter of Algiers (TD/38) formed a useful basis for discussion in which give and take was to be expected of all parties. The real question was not whether development would occur, but how it would occur and within what international framework. The world was entitled to expect a clearer definition of the objectives to be achieved in the longer run and an indication of the steps which each country and group of countries intended to take for their realization.⁵⁰

73. Mr. Raúl Prebisch, Secretary-General of UNCTAD, speaking at the 39th plenary meeting, analysed the salient problems to be dealt with at the second session and indicated the lines of action essential for a global strategy of development. By comparison with the first session of the conference, the second had before it a much clearer idea of what action was necessary; moreover the international atmosphere had changed considerably since 1964. The main problems were long-term ones and would have to be met by an over-all strategy unaffected by temporary vicissitudes. Because of these vicissitudes, a clear distinction should be drawn between long-term aims and specific measures to be adapted to the long-term strategy. With regard to the strategy itself, a number of principles should be recognized at the outset. First, development was the primary responsibility of the countries wishing to develop. Secondly, international co-operation involving the developed market-economy, socialist and developing countries, was needed to help discharge this responsibility. Thirdly, outside co-operation, rather than being residual and based on sectional interests, must be given high priority and form part of a global approach to development. Success in tackling the development problem would offer mutual advantages and lead to an expansion of world trade. However, the convergent measures to bring this about had to surmount three main obstacles: the trade gap, the savings gap, and the external vulnerability

of the developing countries. To attack these problems, the developing countries must be afforded easier access to the markets of the industrialized centres, and the developed countries would have to increase the volume of their financial aid. Such action, however, should be proportionate to the recipient countries' determination to create the changes — social, political and economic — necessary to make proper use of the resources thus offered to them. Indirectly, this implied not only a discipline of development but also progress towards regional integration as a prelude to trade expansion. All these convergent measures should have the effect of speeding the pace of development until satisfactory growth rates could be sustained with domestic resources alone.

74. He pointed out that technological development, which was both desirable and irreversible, posed its own dilemmas. Higher productivity tended to increase the unproductive margin of population, and the only remedy lay in still faster development. This, in its turn, demanded still heavier investments if they were to act as stimulants to the increased mobilization of domestic resources. Only much greater mobilization of the savings potential and of other domestic resources could really justify the proposed supplementary financing scheme. Merely to accelerate growth rates and at the same time to neglect external disequilibrium would not produce the desired result: only by tackling both problems simultaneously could development gather the required momentum.

75. Continuing his statement, the Secretary-General of UNCTAD enumerated a number of specific points on which he believed that the session should concentrate and on which a series of individual agreements could be reached. In closing, he stated his belief that the problem of development was perhaps the greatest challenge of the present century. The essence of the response would be to extend beyond the frontiers of the industrialized countries the ability they had acquired to master the forces of their own economic and social development.⁵¹

76. The central place that must be assigned to sharing of technology in the formulation of any global response to the development problem formed the subject of a statement by the Under-Secretary-General for Economic and Social Affairs at the 44th plenary meeting.⁵²

77. Representatives of all member States were united in the conviction, new in human history, that the world's technical progress and economic understanding as well as its resources made it possible to improve the material condition of the whole human race — if the international community acted wisely and quickly. The continuing aims of the Conference could best be furthered by more effective and better concerted international economic co-operation, undertaken in a spirit of shared purposes. The dominant hope voiced by the majority of delegations was for a Conference oriented towards action. Well-understood problems called not for further description

⁵⁰ The text of the statement was circulated as document TD/67. The text is also reproduced in annex IX to this report.

⁵¹ The text of the statement by the Secretary-General of UNCTAD was subsequently reproduced as document TD/62. He made another statement at the 66th plenary meeting. The texts of both statements are reproduced in annex IX to this report.

⁵² See annex V to this report.

and debate, but for constructive agreement to act. The task of the representatives assembled in New Delhi was therefore to make words yield to deeds. True, the economic strains — internal or external — recently experienced by a number of developed countries raised difficulties; but these were short-term impediments which in no way diminished the urgency of the need for action. The fundamental inter-dependence of trade expansion and faster economic development and the basic inter-dependence of all flows of world trade were recognized. The first session of the Conference, had charted a course that should lead to accord, but had left much unfinished business. The New Delhi Conference was the occasion for settling some persisting problems, and for setting a term for others. Its potential importance for carrying international economic co-operation for development a significant stage further was recognized on every side. In that context, and in recognition of the slow progress in solving those major problems of international trade and development which had formed the subject of the recommendations of the first session of the Conference, the role of UNCTAD in clarifying issues and mobilizing the political will to resolve them was acknowledged generally, as was the fact that it made a unique contribution in the domain of international trade and development.

78. Approaches differed among countries or groups of countries concerning the choice of problems which required immediate solution or action, as well as the methods to be adopted for this purpose. The essence of the views of member States of the Conference is set out below.

79. The views expressed by the developing countries on the issues before the Conference drew extensively on the fund of propositions and programme of action contained in the Charter of Algiers. The absence of any significant improvement in the trading position of developing countries since the first session of the Conference, and the tendency towards further deterioration in the terms both of trade and of the transfer of financial resources to the developing world, lent urgency to the task of reaching constructive agreements at New Delhi. The volume of the transfer of financial resources was considered insufficient. The developing countries acknowledged that the major responsibility for accelerating the pace of economic progress in the developing world lay with the developing countries themselves and that renewed and intensified co-operative efforts amongst them were indispensable. Vigorous action was already being taken to strengthen economic ties among the developing countries; this endeavour would continue, but the active co-operation of the developed countries was a prerequisite for its success.

80. However, the developing countries stated that the prospects that had been held out by the first session of the Conference for new policies governing economic co-operation had scarcely materialized. Hence, a new approach, relating practical action and concrete measures in the short run to objectives that could be fully attained only in the long run, would have to be adopted if the aims of the Conference were to be achieved. To that end, the recognition by the international community of a shared responsibility for promoting development by means of new

trade and aid policies should find expression in a long-range international development policy, or global strategy of development, through which developed and developing countries alike would undertake a series of co-operative measures, carefully concerted in respect of timing and implementation. There was moreover, a renewed expression of the will to achieve a better world trade order through UNCTAD. To that end, the existing machinery should be strengthened not least in respect of its negotiating functions. Finally, it was argued that the entire international community stood to benefit from any acceleration in the trade growth and economic development of the developing world, since the resulting expansion of markets would bring advantages to all trading nations.

81. The issues on which most stress was laid and concerning which the most detailed proposals were put forward by developing countries, related to the urgent need for action on a number of key problems. In respect of commodity problems, it was the need for international commodity arrangements and for the international financing of buffer stocks, so as to achieve greater market stabilization, that was emphasized. The lack of progress towards liberalization was deplored, and developing countries stressed the need for a standstill agreement. Their proposal — put forward previously in the Charter of Algiers — was that developed countries should attribute a determinate share in their increment of consumption to imports from developing countries; and that negotiations should be conducted to that end, within the framework of UNCTAD, on a commodity-by-commodity basis. A time-table for the negotiation of agreements on primary commodities was judged necessary, as was the establishment of continuing international machinery for negotiating market-access arrangements.

82. As regards the expansion and diversification of exports of manufactures, these countries urged the Conference to set itself the aim of achieving agreement on at least the main elements of a general system of tariff preferences on a non-reciprocal and non-discriminatory basis in favour of developing countries. Particular attention should be paid to the need for including all agricultural products, processed and semi-processed, among the items eligible for preferential treatment, and to the need for special measures enabling the least advanced amongst the developing countries to derive adequate benefits from the system. Again, a time-table was proposed for reaching agreement by negotiations and for the implementation of the resulting decisions. In short, better market access and the abolition of tariff and non-tariff barriers to the goods of developing countries were essential for the expansion of their trade. Since general agreement had been reached in a subsidiary organ of UNCTAD to the effect that the current international transfer of resources to developing countries fell short of their requirements, the Conference was urged to adopt a programme for achieving a target for the transfer of such resources from the developed countries. The worsening of the terms and conditions of international financial assistance was a source not only of disappointment but also of concern, and remedial measures — such as the rescheduling of accumulated debt, and the untying of loans — were proposed. The early conclusion of an agree-

ment on supplementary financial measures to offset unforeseen shortfalls in developing countries' export earnings should be a major aim of the Conference. Many delegations from developing countries expressed satisfaction with the dynamic growth of trade between these and socialist countries and with recent trends in the development of economic co-operation with socialist countries. The developing countries held that there were grave deficiencies in shipping services linking the developing countries with their actual and potential markets and called for a searching analysis, under the auspices of UNCTAD, of this subject. Furthermore, they proposed that the purchase of ships by developing countries be financed out of normal development credits. Three other issues deemed to warrant new constructive approaches by the second session of the Conference concerned, respectively, measures for improving the transfer of technology towards developing countries, measures in favour of the least developed among the developing countries, and measures for dealing with the special problems of land-locked countries.

83. The representatives of the developed market-economy countries explained the views of their respective Governments on the principal questions before the Conference. The second session of the Conference provided an opportunity for taking stock of what had been accomplished since the first session and for proceeding further in the work of translating agreement on problems into agreements on practical and practicable measures for resolving them. The achievements of recent years were substantial, but much remained to be done, not only in the realm of external support for development but also with regard to strengthening the endeavours of the developing countries themselves. As for specific issues before the Conference, changes in the economic situation of both developed and developing economies called, above all, for realism in the choice of fruitful approaches. These representatives were generally in favour of the conclusion of international commodity arrangements, and emphasized their hope that agreements on cocoa and sugar could be speedily reached. The need for lessening the dependence of developing countries on earnings from commodities, by diversification and the expansion of the manufacturing and semi-manufacturing sectors, was recognized.

84. The developed market-economy countries now took a positive attitude towards the strong desire of developing countries for a general preference system, as witnessed by the agreement reached by all OECD countries and Finland on the broad lines of the subject, and they believed agreement on such a system would help developing countries to expand their exports and achieve the diversification of their economies necessary for successful development. The need for a substantial and continuing development assistance effort was well understood in the developed market-economy countries. The search for greater efficiency in the utilization of aid was likewise of high importance. Stress was laid on the importance of matching internal and external measures for promoting development. In the context of the former, forces were at work which could, if managed wisely, lead to more rapid development. The complexity of some of the issues at stake, taken in conjunction with the economic difficulties cur-

rently experienced by some developed countries, meant that it would be unrealistic to expect a rapid increase in the flow of aid in the immediate future. Similarly the second session of the Conference could not be expected to agree on how to resolve all the problems on its agenda; but it was to be hoped that tangible progress would be made in respect of many of those problems, thus paving the way for further constructive discussions after the end of the Conference.

85. Representatives of socialist countries believed that the second session of the Conference provided a fresh opportunity for reaching agreement on implementing the principles and the programmes adopted by the first session of the Conference which would result in a better international division of labour. They stressed the urgent necessity of the normalization of economic relations, which would be conducted on a non-discriminatory basis, among all countries — notably in East-West trade. To that end, the aim of universality as a guideline for the work of the Conference should be given prominence. The socialist countries, while affirming their freedom from responsibility for the economic difficulties of developing countries, declared their readiness to continue their efforts in expanding their trade with the developing countries. The well-established practices of the socialist countries in their economic relations with the developing countries — long-term bilateral agreements, stable prices, joint ventures with provision for repayment in the products of new productive capacities and agreements on partial division of labour — not only demonstrated this readiness, but also provided a basis on which such relations could be further developed. The dynamic growth of trade between socialist and developing countries provided welcome testimony to the effectiveness of existing forms of co-operation. In addition to their present co-operative arrangements, including extensive programmes in the field of technical assistance with developing countries, the socialist countries would be willing to extend their participation in commodity arrangements, and to support an appropriate system of preferences of a non-reciprocal and non-discriminatory character to be elaborated within the framework of UNCTAD. Further growth of the trade between socialist and the developing countries would depend also on active measures on the part of developing countries in expanding mutual trade with socialist countries and on the granting by the developing to the socialist countries of conditions for trade not inferior to those granted normally to the developed market-economy countries. What was essential was that the Conference should concentrate on those issues already treated in the recommendations of the Final Act, notably in respect of the principles governing international economic relations, where progress in implementation would remove many obstacles to a more effective, more normal, and more equitable international division of labour.

86. Summing up the general debate at the 64th plenary meeting (see TD/72), the President of the Conference expressed gratitude to the Governments of participating States that had arranged to be represented at a very high level during the plenary meetings. The presence of such distinguished persons had greatly enhanced the authority of the Conference and testified to the importance attached by their Governments to its work. Thanks were also due to

the Secretary-General of the United Nations and the Secretary-General of UNCTAD for their valuable contribution in delineating the essential tasks before the second session.

87. It had been heartening to note the many constructive contributions made during the general debate, which had ranged over the entire complex of topics to be considered by the Conference and that were to be discussed in greater detail in the Main Committees and working groups. It was gratifying that speakers had focused attention on the basic issues before the Conference. In their general statements, speakers had also dwelt on matters of particular interest to their countries or regions, and in so doing they had highlighted the vital need for worldwide co-operation in promoting the economic advancement of the developing world and in evolving a new policy for international trade and development.

88. The President stressed that encouraging statements had been made by the representatives of a number of developed countries pledging continuing and increased support by their Governments through financial aid, liberalized tariff policies, improved access to markets, participation in the negotiation of agreements for the stabilization of commodity prices, preferential treatment for the products of developing countries, contributions to international financial institutions, incentives for the investment of public and private capital in the developing countries, technical assistance and in other practical ways. Some of these representatives had cited figures giving tangible evidence of their Governments' preparedness to contribute to the success of development programmes.

89. He stated that the representatives of developing countries, for their part, had studiously refrained from casting envious glances on the riches of the advanced nations. They had contented themselves with impressing on the Conference the urgency of concerting measures to accelerate the tempo of economic growth. They had reiterated their Governments' resolve to help themselves through the application of appropriate domestic measures and by means of co-operation with one another. They had placed the development of their countries' economies in the perspective of a global effort for the advancement of world economy.

90. It would seem, he said, that a broad consensus had emerged from the general debate in recognizing economic development as a matter concerning all nations, rich and poor alike. Its successful pursuit was recognized to be an international responsibility. The future of all participating States was bound up with the degree of success that the Conference could attain. A favourable atmosphere for the practical work of the Conference had been created by the earnestness and determination of participants to strive for meaningful results through the enunciation of a new policy of trade and development and through the formulation of specific programmes of work and effective action by all member States. If the results of the session were correspondingly successful, it might be appropriate if, as the culmination of its work, the Conference were to adopt a "Charter of Development" that might serve as a basis for mutual benefit and progress among both developing and developed countries.

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PART FOUR

Chapter I

Conclusions

91. The representatives of States members of UNCTAD, guided by the objectives described in part one of this report, have sought in the course of their deliberations in New Delhi to concert their endeavours and, in the light of the discussion recorded in part three and in the reports of the sessional bodies, to attain, in particular, a broad measure of agreement on practical solutions to those major and urgent issues of trade and development appearing on its agenda. While addressing special efforts to the examination of a number of these issues, including those which were considered as "points of crystallization",⁵³ the Conference, in its capacity as a universal forum giving expression to the manifold economic interests of all member countries, has sought to give due attention to, and to find solutions for, certain other problems of particular concern.

92. The Conference has concluded its work by adopting a number of recommendations, decisions and guidelines for the work programme of its continuing machinery, in respect of some important issues with which it was charged. The Conference acknowledges, however, that in respect of other basic issues of substance it has been unable, on account of remaining differences of opinion, to reach generally acceptable conclusions. The Conference has resolved to continue its efforts to reach agreement by making full use of its continuing machinery and, in particular, of the opportunities for further consultation and study provided by the Trade and Development Board, to which it has referred several issues for due attention.

93. The Conference therefore urges member States to explore earnestly ways and means of assisting the continuing machinery to discharge the responsibilities now placed on it.

Chapter II

List of resolutions, declarations and other decisions adopted by the Conference

94. In the course of its second session the Conference adopted the resolutions, declarations and other decisions which are enumerated below,⁵⁴ classified according to agenda items, and the full texts of which (including, where appropriate, the voting record) are reproduced in annex I to this report.

⁵³ As indicated in paragraph 45 of this report.

⁵⁴ The resolutions, declarations and major decisions have been numbered. The arabic and roman numerals identifying each resolution indicate, respectively, the number of the resolution and the number of the session of the Conference at which it was adopted.

Credentials of representatives to the Conference (agenda item 6)

- 35 (II). Credentials of representatives to the second session of the United Nations Conference on Trade and Development

Trends and problems in world trade and development (agenda item 9)

- 9 (II). Declaration on the world food problem
11 (II). Special problems of the land-locked countries
15 (II). Trade relations among countries having different economic and social systems including problems of East-West trade, paying attention particularly to the trade interests of the developing countries and taking into account the work in this field of other United Nations organs, including the regional economic commissions
22 (II). Steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development

Commodity problems and policies (agenda item 10)

- 16 (II). International action on commodities
17 (II). General agreement on commodity arrangements
18 (II). Co-ordination by UNCTAD of the activities of inter-governmental commodity bodies
19 (II). Studies by international financial institutions on stabilization of commodity prices
20 (II). Guaranteed minimum agricultural income

Expansion and diversification of exports of manufactures and semi-manufactures of developing countries (agenda item 11)

- 21 (II). Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to the developed countries
25 (II). 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 — restrictive business practices)

Growth, development finance and aid (synchronization of international and national policies) (agenda item 12)

- 27 (II). Aid volume target
28 (II). Improving the mobilization of internal resources
29 (II). Improving the terms and conditions of aid alleviating the problems of external indebtedness
30 (II). Supplementary financial measures
31 (II). Compensatory financing facility
32 (II). International monetary system — issues relating to development finance and trade of developing countries

- 33 (II). Increasing the flow of private capital to developing countries

Problems of developing countries in regard to invisibles including shipping (agenda item 13)

- 2 (II). Establishment of consultation machinery in the field of shipping
- 3 (II). Freight rates and conference practices
- 4 (II). Terms of shipment
- 5 (II). Regular sessions of the Committee on Shipping
- 6 (II). Substantive support for technical assistance
- 7 (II). Development of ports
- 8 (II). Tourism
- 12 (II). Development of merchant marines of developing countries
- 13 (II). Insurance
- 14 (II). International legislation on shipping

Trade expansion and economic integration among developing countries, measures to be taken by developing and developed countries — including regional, sub-regional and inter-regional arrangements (agenda item 14)

- 23 (II). Concerted declaration on trade expansion, economic co-operation and regional integration among developing countries

Special measures to be taken in favour of the least developed among developing countries aimed at expanding their trade and improving their economic and social development (agenda item 15)

- 24 (II). Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development

General review of the work of UNCTAD (agenda item 16)

- 1 (II). Training of technical and special staff in the field of export promotion (marketing tech-

niques, methods of financing, publicity) and invisible transactions, including shipping, insurance and tourism

- 10 (II). Measures to inform world public opinion of the work of UNCTAD and of the problems of development

Other business (agenda item 18)

- 26 (II). Suspension of South Africa
- 34 (II). Resolution expressing gratitude to the Government and people of India.

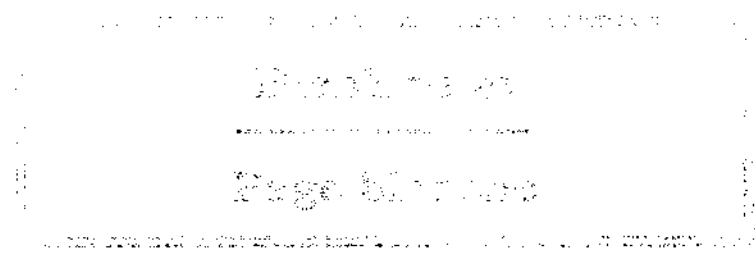
OTHER DECISIONS

- (a) *Periodic review by the Conference of the list of States contained in the annex to General Assembly resolution 1995 (XIX)*
- (b) *Election of members of the Trade and Development Board*
- (c) *Date and place of the sixth regular session of the Trade and Development Board*
- (d) *Designation of inter-governmental bodies for the purpose of rule 80 of the rules of procedure of the Conference and of rule 78 of the rules of procedure of the Trade and Development Board*
- (e) *Adoption of the rules of procedure of the Conference (The text of the rules of procedure will be published separately)*

Chapter III

Adoption of the report of the Conference

- 95. The Conference adopted this report at its 81st (closing) plenary meeting on 29 March 1968 (see annex IV to this report).



ANNEX I

Resolutions, declarations and other decisions adopted by the Conference

CONTENTS

A. TEXTS AS ADOPTED	Page	Page
1. <i>Resolutions, decisions and declarations</i>		
<i>Credentials of representatives to the Conference</i> (agenda item 6)		
35 (II). Credentials of representatives to the second session of the United Nations Conference on Trade and Development.	28	43
<i>Trends and problems in trade and development</i> (agenda item 9)		
9 (II). Declaration on the world food problem	28	
11 (II). Special problems of the land-locked countries	30	
15 (II). Trade relations among countries having different economic and social systems including problems of East-West trade, paying attention particularly to the trade interests of the developing countries and taking into account the work in this field of other United Nations organs, including the regional economic commissions	32	
22 (II). Steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development . . .	34	
<i>Commodity problems and policies</i> (agenda item 10)		
16 (II). International action on commodities	34	
17 (II). General agreement on commodity arrangements . .	36	
18 (II). Co-ordination by UNCTAD of the activities of inter-governmental commodity bodies	37	
19 (II). Studies by international financial institutions on stabilization of commodity prices	37	
20 (II). Guaranteed minimum agricultural income	37	
<i>Expansion and diversification of exports of manufactures and semi-manufactures of developing countries</i> (agenda item 11)		
21 (II). Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to the developed countries	38	
25 (II). 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 — restrictive business practices	38	
<i>Growth, development finance and aid (synchronization of international and national policies)</i> (agenda item 12)		
27 (II). Aid volume target	38	
28 (II). Improving the mobilization of internal resources . .	39	
29 (II). Improving the terms and conditions of aid alleviating the problems of external indebtedness	40	
30 (II). Supplementary financial measures.	42	
31 (II). Compensatory financing facility	43	
32 (II). International monetary system — issues relating to to development finance and trade of developing countries		43
33 (II). Increasing the flow of private capital to developing countries		44
<i>Problems of developing countries in regard to invisibles including shipping</i> (agenda item 13)		
2 (II). Establishment of consultation machinery in the field of shipping		45
3 (II). Freight rates and conference practices		46
4 (II). Terms of shipment		47
5 (II). Regular sessions of the Committee on Shipping . .		47
6 (II). Substantive support for technical assistance		47
7 (II). Development of ports		47
8 (II). Tourism		49
12 (II). Development of merchant marines of developing countries		49
13 (II). Insurance		50
14 (II). International legislation on shipping		50
<i>Trade expansion and economic integration among developing countries, measures to be taken by developing and developed countries — including regional, sub-regional and interregional arrangements</i> (agenda item 14)		
23 (II). Concerted declaration on trade expansion, economic co-operation and regional integration among developing countries		51
<i>Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development</i> (agenda item 15)		
24 (II). Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development		54
<i>General review of the work of UNCTAD</i> (agenda item 16)		
1 (II). Training of technical and special staff in the field of export promotion (marketing techniques, methods of financing, publicity) and invisible transactions, including shipping, insurance and tourism		55
10 (II). Measures to inform world public opinion of the work of UNCTAD and of the problems of development . . .		56
<i>Other business</i> (agenda item 18)		
26 (II). Suspension of South Africa		56
34 (II). Resolution expressing gratitude to the Government and people of India		57

	Page		Page
2. Other decisions		(d) Designation of inter-governmental bodies for the purpose of rule 80 of the rules of procedure of the Conference and of rule 78 of the rules of procedure of the Trade and Development Board	58
(a) Periodic review by the Conference of the list of States contained in the annex to General Assembly resolution 1995 (XIX)	57	(e) Adoption of the rules of procedure of the Conference (The text of the rules of procedure will be published separately)	58
(b) Election of members of the Trade and Development Board	58	B. OBSERVATIONS AND RESERVATIONS BY DELEGATIONS ON THE DECISIONS OF THE CONFERENCE	59
(c) Date and place of the sixth regular session of the Trade and Development Board	58		

A. RESOLUTIONS, DECLARATIONS AND OTHER DECISIONS ADOPTED BY THE CONFERENCE

1. Resolutions, decisions and declarations

CREDENTIALS OF REPRESENTATIVES TO THE CONFERENCE (Agenda item 6)

RESOLUTION

35 (II). Credentials of representatives to the second session of the United Nations Conference on Trade and Development

The United Nations Conference on Trade and Development,

Approves the report of the Credentials Committee.¹

*67th plenary meeting,
18 March 1968*

TRENDS AND PROBLEMS IN TRADE AND DEVELOPMENT (Agenda item 9)

DECLARATION

9 (II). Declaration on the world food problem²

The United Nations Conference on Trade and Development,

States that:

1. Half of mankind is undernourished or badly fed, because the world production of energy-giving and protective foods is insufficient to satisfy nutritional requirements. The millions of people suffering from hunger and malnutrition live in developing countries;

2. In nearly all the developing countries, a backward agricultural sector has in recent years been unable to increase food output fast enough to match the increase in the demand for food resulting from population growth and rising incomes. For this reason, these countries are obliged, even for maintaining present low levels of nutrition, to import food in ever-increasing amounts, to the detriment of their capacity to import capital goods essential for accelerating their economic development;

3. The food surpluses in developed countries which have hitherto been used to cover emergency world shortages

have been substantially reduced, and the surplus of cereals has practically disappeared;

4. In most developing countries there exists at the same time a deep social and human problem which arises, like the world food problem, from the insufficient dynamism of the agricultural sector — namely, the chronic under-employment and the low incomes of the rural population. The level of living of the rural population, which constitutes the vast majority of the total population in these countries, is incompatible with human dignity and the rural population is unable to participate actively enough in the common endeavour to overcome under-development;

5. Some favourable developments have taken place recently with regard to these problems. Some developing countries are making promising progress in increasing their agricultural production and improving the productivity of the agricultural sector, through substantial national efforts in matters of investment, improved technology and structural reforms, supported in some cases by more active international co-operation. Moreover, in recent years the conscience of the world has been alerted to the dangers and urgency of the world food problem, particularly through the Freedom from Hunger Campaign of the Food and Agriculture Organization of the United Nations (FAO),

Recognizes that:

1. The persistence of these problems constitutes one of the major obstacles to social and economic development. Hence the solution to these problems is the joint responsibility of the whole international community. The primary responsibility rests with the developing countries themselves, which must increase their food production as the basic and permanent means of satisfying their needs. They must also raise the level of living of the rural populations. The developed countries should co-operate fully in these efforts of the developing countries;

2. The rapid development of agriculture, which is indispensable not only for producing food, producing raw materials for some industries and providing employment but also, in the case of exporting countries, as a

¹ TD/80.

² The Conference adopted this declaration by 86 votes to 1, with no abstentions.

means of earning foreign exchange, is an essential part of general economic and social development. Agricultural and industrial development are interdependent. This interdependence calls for the balanced and integrated growth of the various sectors of the economy, coupled with a dynamic policy of social justice and betterment of the living conditions of humanity;

3. Effective action to overcome the world food problem and to modernize rural life in developing countries should consequently be conceived in the framework of a universal endeavour dedicated to the fullest and most effective use of all human, scientific and natural resources to ensure a faster rate of economic growth and parallel social progress;

4. The ultimate solution of the world food problem requires a series of convergent measures some of which would have immediate effects and others long-term results. Over-all measures should be directed to increasing food production through actions of institutional, technical, social and economic character; to the improvement of marketing at both national and international levels; to the development of agro-industries and to the consideration of the dynamics of population. The adoption of measures to increase supplies, including food aid, to meet shortages and the application of improved techniques will continue to be required to alleviate the situation in the short-term. Action should be taken urgently on measures having both immediate and long-term effects,

Affirms that:

1. The United Nations, with its subsidiary organs, the specialized agencies, the World Food Programme and the international financial institutions have important responsibilities in the solution of the world food problem;

2. The FAO has a crucial role as the international agency entrusted with the task of raising levels of nutrition and the standards of living of rural people and securing improvements in the efficiency of production and distribution of all food and agricultural products. Present trends in FAO and the regional and international banks toward the planning and execution of practical programme and integrated projects leading to international and national investment should be supported and encouraged by member States;

3. The integrated approach to the world food problem calls for the fullest co-operation and co-ordination among the international organizations concerned, and for the utilization, as appropriate, of the opportunities provided by bilateral programmes and those of certain private foundations,

Notes with approval the assistance already extended by the international organizations concerned and certain major undertakings, including, *inter alia*:

(a) The elaboration of plans for the second United Nations Development Decade, 1970-1980;

(b) The FAO Indicative World Plan for Agricultural Development;

(c) The Inter-Agency Study on Multilateral Food Aid initiated under General Assembly resolution 2096 (XX) of 20 December 1965;

(d) Efforts to expand multilateral food aid under the World Food Programme;

(e) The Food Aid Convention of the International Grains Arrangement, 1967, and similar possibilities of mobilizing through international arrangements for other commodities the capacity of both developing and developed countries to produce supplies for food aid purposes;

(f) The Agricultural Development Fund of the Asian Development Bank.

Therefore urges:

Developing countries

1. To pay special attention, in the formulation of balanced and integrated plans, to the requirements of the agricultural sector, taking account of the food situation and of the important role of this sector in over-all development, and to remove such impediments to increased agricultural production as arise from agrarian and credit structure inherited from the past, to carry out, wherever appropriate, the reforms in the systems of land tenure, land and water use and credit and to modernize administrative institutions;

2. To plan agricultural production in the interest of balanced economic development taking into account current and potential requirements;

3. To lay emphasis on the development of human resources and to this effect, among other measures, to adopt programmes of mass education in the rural areas, technical training and community development, to ensure an active participation by the farmers in the common tasks to increase their income and their standard of living and to ensure the enjoyment of their political, social, economic and cultural rights;

4. To promote the establishment and expansion of co-operative organizations to be effective instruments for a better development of production and marketing of foodstuffs;

5. To strengthen measures for improving the availability of key agricultural requisites, including fertilizers, improved seeds, pesticides, improved agricultural machinery and implements, and to provide adequate advisory and extension services and institutions for training and research with due attention to the adaptation of methods and techniques to local conditions;

6. To promote the establishment of agro-industries, especially those supplying the agricultural sector with fertilizers, pesticides and agricultural machinery and equipment;

7. To improve transport, marketing, storage and distribution facilities;

8. To pay special attention, where necessary, to increased water supply including ground water exploitation;

9. To intensify their efforts to make better use of the resources of the sea and of the fishery resources of both sea and river for human foodstuffs, through, among other measures, the application of modern technology in small fishery industries and the technical training of fishermen;

10. To promote adequate pricing policies which take into account the need to attain the maximum degree of production as well as appropriate level of efficiency;

11. To promote national reserves of foodgrains for stabilization of consumer prices and meeting emergencies;

12. To increase their efforts to conclude agreements on complementary food production within the existing regional and sub-regional integration schemes and other regional and sub-regional agreements in conformity with national development programmes;

13. To consider the effects of the problems created by the dynamics of population on food requirements and take appropriate measures;

14. To encourage foreign private investments and the inflow of private capital for the above-mentioned purposes, if it is in accordance with their national development plans;

Developed countries

1. Within the framework of their respective global aid programmes and in the light of the targets set by the Conference with regard to the volume of aid:

(a) To continue and to strengthen their aid to developing countries making efforts to increase food production and modernize the agricultural sector and for this purpose to give more emphasis, in response to requests of these developing countries, to increasing the assistance by providing agricultural requisites, especially fertilizers, pesticides, improved seeds, agricultural machinery and implements;

(b) To lay also equal emphasis on aid intended for the establishment of agro-industries for the manufacture of fertilizers, pesticides, agricultural machinery and water development equipment and to promote, for the same purpose, private investment if it is in accordance with national development plans of developing countries;

(c) To continue and to strengthen the necessary technical assistance through bilateral and multilateral channels including such assistance as would improve the quality of human resources which are crucial to economic growth;

(d) To provide food aid on a fair and just basis among developed countries as an interim measure of assistance to food-deficit countries, in such a way as not to affect the productive capacity of the recipient countries and, to the greatest practicable extent, in accordance with the FAO Principles of Surplus Disposal.³ This food aid should also assist the food-deficit countries in building up emergency reserves replenishable from time to time for short-term needs. In the case of food-importing donor countries, however, due account should be taken of their special circumstances;

(i) Food aid should be given on a grant basis or a loan basis on as generous terms as circumstances permit;

(ii) Food aid should not provide undue incentives for increased production in developed countries;

(iii) Food aid should mobilize where appropriate through international arrangements the capacity of developing countries to produce food supplies for food aid purposes;

(iv) Any increase in cash contributions to multilateral food aid programmes should be used, where practicable, for the purchase on economic terms of food from the developing countries;

2. To carry out, to the extent practicable, measures providing more favourable conditions of access to their markets for primary products exporting countries, particularly bearing in mind the interests of developing countries, and permitting primary products exporting countries to participate in the growth of the markets of industrial nations.

The international organizations concerned

1. To intensify their co-operation with the developing and developed countries in their joint efforts to solve the world food problem, to support and, within the limits of their resources and constitutional responsibilities, to carry out an effective assistance to developing countries;

2. To take into account in so doing, among other considerations, the need for a co-ordinated global approach to action on the world food problem, including development on the agricultural sector and trade in agricultural products, as a guide to developing and developed countries and international agencies in the formulation and implementation of their plans, policies and programmes;

3. In adapting their structure, strategy and programmes to the changing situation and global efforts, to concentrate their activities and, in so far as their particular character permits, place greater emphasis on operational aspects, decentralize their services and strengthen their work in the field;

4. In financing agricultural development programmes and projects by international agencies, to give appropriate emphasis to the importance of providing, in response to requests, a sizable amount of agricultural requisites as an essential element in their assistance.

*70th plenary meeting,
22 March 1968*

RESOLUTIONS

11 (II). *Special problems of the land-locked countries*⁴

A

The United Nations Conference on Trade and Development,

Recalling the Principles relating to Transit Trade of Land-locked Countries which were adopted by the first session of the United Nations Conference on Trade and Development,⁵

Recalling that, on the basis of these Principles, the United Nations Conference on Transit Trade of Land-locked Countries adopted on 8 July 1965 the Convention on Transit Trade of Land-locked States,

⁴ The Conference adopted this resolution unanimously.

⁵ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report*, annex A.I.2 (United Nations publication, Sales No.: 64.II.B.11), pp. 25 and 26.

³ *The Disposal of Agricultural Surpluses — Principles recommended by FAO* (FAO, Rome, 1963).

Noting that the Convention entered into force on 9 June 1967, but so far has been ratified or acceded to by only two transit States having a sea-coast,

Noting further that the Convention is open for ratification or accession without any time limit,

Considering that, for the promotion of the trade and economic development of the land-locked States, it is essential to provide facilities to enable them to overcome the effects of their land-locked position on their trade,

Recalling General Assembly resolution 1028 (XI) of 20 February 1957,

Urges all States invited to become parties to the 1965 Convention on Transit Trade of Land-locked States to investigate the possibilities of ratifying or acceding to it and to make it effective at the earliest possible date.

B

The United Nations Conference on Trade and Development,

Recognizing that:

(a) The land-locked position of many developing countries affects the expansion of trade and economic development of these countries, and may hamper them in taking advantage of some of the international measures envisaged to support the trade expansion and economic development of all developing countries,

(b) The special problems involved in the promotion of the trade and economic development of the land-locked developing countries, in particular the high cost of transportation due to distance from sea, the poor state of transport and communications and other factors inhibiting the execution of their trade expansion and economic development programmes, call for special attention and require special solutions,

Convinced that the international community, when embarking upon a comprehensive policy of co-operation for development, should pay due attention to the above-mentioned special problems of the land-locked developing countries,

Noting that, within the framework of some United Nations regional economic commissions and some regional and sub-regional economic groupings of developing countries, studies of certain important aspects of the special problems of the land-locked developing countries of the regions or sub-regions concerned have been initiated with a view to contributing to their solution,

1. *Recommends* that, in view of the special problems of the land-locked developing countries, the land-locked situation should be considered as a factor in determining the criteria for the identification of the least developed among the developing countries;

2. *Recommends* that the Governments of the developed countries, in their financial and technical assistance programmes in the field of transport and communications, should accord appropriate attention to the special needs of land-locked developing countries in extending adequate financial and technical assistance to projects designed for the development and improvement of the transport and communications infrastructure needed by these countries,

in particular of the transport modes and facilities most convenient to them and mutually acceptable to the transit and the land-locked developing countries concerned, including joint projects concluded by common agreement with the transit States concerned for the establishment, expansion and/or improvement of transport and communications facilities serving the transit trade of the land-locked countries;

3. *Further recommends* that the appropriate international financial institutions be invited to give similar attention among their priorities to the matters mentioned in the preceding paragraph;

4. *Calls on* transit countries to extend their fullest possible co-operation to the formulation and execution of the projects mentioned in the preceding paragraph;

5. *Recommends* that the land-locked developing countries and the transit countries should enter into consultations and negotiations, whether bilaterally or on a regional or sub-regional basis, with a view to examining jointly the special difficulties which the land-locked developing countries face in the promotion of their trade and economic development, and to concluding agreements designed to overcome such difficulties in accordance with the nature of each particular case, paying special attention to the facilities requested by the land-locked countries for their transit trade;

6. *Further recommends* that the Governments of the developed countries be invited to bear in mind, in their assistance programmes or through the international organizations concerned, the possibility of extending loans on favourable terms;

(a) To the land-locked developing countries for the development of transport and communication facilities designed to help the latter to overcome the special difficulties of their land-locked position;

(b) To the developing land-locked and transit countries for the development of transport and communication facilities referred to in paragraph 2 above designed to help the developing countries concerned to overcome the special difficulties of the land-locked position;

7. *Recommends* that the Governments of States members of UNCTAD invite liner conferences and equivalent organizations, directly or through the shipowners members of them, and also insurance companies, to bear in mind, in forming their respective tariff policies, the special problems of land-locked developing countries;

8. *Calls on* the developed land-locked countries, through the exchange of information, experience, training and technical know-how, to lend, upon request, directly or through the appropriate United Nations bodies, special assistance to the land-locked developing countries in outlining suitable solutions to the special problems of the latter;

9. *Invites* the regional economic commissions concerned with the developing regions and the regional and sub-regional economic groupings of the developing countries to pay special attention in their work programmes to the special problems in the field of the trade expansion and economic development of the land-locked countries members of such regional economic commissions and regional or sub-regional economic groupings, and to give

special consideration to the need for greater participation by such land-locked developing countries in regional and international trade;

10. Requests:

(a) The Secretary-General of UNCTAD, in consultation with the Under-Secretary-General of the United Nations for Economic and Social Affairs, to establish a group of experts to carry out a comprehensive examination of, and to report upon, the special problems involved in the promotion of the trade and economic development of the land-locked developing countries, a special study to be made in this examination of the transport problems, outlining possible ways by which the adverse effects of higher transportation costs on the trade position, production costs and execution of economic development programmes of the land-locked developing countries might be minimized; the background material to be prepared for the examination by the group of experts shall draw fully upon the experience and competence in this field of other appropriate United Nations bodies, in particular the Department of Economic and Social Affairs and the regional economic commissions; the report of this expert group should describe the experience so far gained in the solution of the above-mentioned problems and outline further practical measures and procedures for presentation to the Trade and Development Board for consideration and appropriate action;

(b) The States members of UNCTAD, the regional economic commissions, the specialized agencies concerned, the economic groupings of the developing countries and other international organizations dealing with the subject to co-operate with the Secretary-General of UNCTAD by providing to the extent possible, information relevant to the preparation of the studies and reports mentioned in this paragraph;

(c) The Secretary-General of UNCTAD to follow the progress made in giving effect to the recommendations made in this resolution and to report thereon in his annual reviews of international trade and economic development to be prepared in pursuance of the Trade and Development Board's resolution 19 (II).

*71st plenary meeting,
23 March 1968*

- 15 (II). *Trade relations among countries having different economic and social systems including problems of East-West trade, paying attention particularly to the trade interests of the developing countries and taking into account the work in this field of other United Nations organs, including the regional economic commissions*⁶

The United Nations Conference on Trade and Development,

Recognizing the desirability of expanding East-West trade on the one hand, and trade between developing countries and socialist countries on the other,

Recalling the relevant parts of General Assembly resolutions 1995 (XIX) of 30 December 1964 and 2085 (XX) of 20 December 1965.

⁶ The Conference adopted this resolution unanimously.

Recalling General Principles Two, Six, Seven and Eight,⁷ governing international trade relations and trade policies conducive to development as embodied in the recommendation in Annex A.I.1⁸ to the Final Act of the first session of the Conference,

Noting the declaration unanimously adopted at the twenty-second session of the United Nations Economic Commission for Europe concerning the further development of trade, economic, scientific and technical co-operation between the member countries of the Commission,

Bearing in mind the recommendations in Annexes A.II.1, Part II B, A.III.2, A.II.7 and A.VI.7⁹ of the Final Act of the first session of the Conference,

Noting the statement made by the Secretary-General of the United Nations at the 51st plenary meeting of the second session of the Conference to the effect that "it is an inevitable consequence of growing international interdependence that the constriction of any one channel of economic relationship tends to react adversely upon other channels as well",¹⁰

Considering that East-West trade is an integral part of world trade and that the expansion of this flow of trade would positively affect the expansion of international trade as a whole, including the trade of developing countries, provided that necessary constructive measures to promote trade and economic relations with developing countries are undertaken by those two groups of countries.

I

1. *Recommends* that countries participating in East-West trade, while giving due consideration to the interests of developing countries, and in accordance with principles as embodied in the Final Act of the first session of the Conference,

(a) Continue their common efforts towards the expansion of trade and, to this end, seek to remove the economic, administrative and trade policy obstacles to the development of trade,

(b) Promote constructive measures in the field of economic, industrial, technical and scientific co-operation,

(c) Consider any further appropriate policies or measures aimed at expanding economic relations between them on the basis of mutual advantage;

2. *Recommends* that countries participating in East-West trade ensure, through positive measures, that the expansion of trade between them does not unfavourably affect the trading possibilities of the developing countries and leads to expansion of trade between them and the latter.

II

Recommends that the socialist countries of Eastern Europe:

⁷ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 18-20.

⁸ *Ibid.*, pp. 18-25.

⁹ *Ibid.*, pp. 30, 35, 36, 40, 41 and 65.

¹⁰ TD/67. See annex IX in this volume.

1. Adopt the necessary measures, taking duly into consideration the trade needs of the developing countries when quantitative targets are fixed in their long-term economic plans, to expand further their trade with developing countries and, at the same time, to promote the diversification of the structure and of the geographical basis of this trade with these countries, in order that the largest possible number of developing countries derive the maximum benefit from such trade. They will endeavour to maintain and, whenever possible, to accelerate the rate of growth of trade exchanges with developing countries;

2. Conclude long-term agreements for the purchase of commodities from the developing countries which would include suitable provision aiming at a satisfactory solution as to volume and stability of prices of primary commodities;

3. Abolish or reduce, on a preferential basis, tariffs on manufactures and semi-manufactures imported from developing countries;

4. Accord preferential conditions in their procurement policies for products imported from developing countries, it being understood that each of them will do so in accordance with the modalities of its foreign trade system;

5. Take all practicable steps, within the framework of their respective national economic policies, in order to grant such favourable terms to imports from developing countries and to consumption of products imported;

6. Alongside bilateral forms of agreements, to multilateralize to the extent possible when acceptable to the interested countries, payments arrangements between them and the developing countries to facilitate and stimulate the expansion of their trade with developing countries;

7. Ensure that the period of validity of the contracts concluded between their agencies and enterprises and those of the developing countries would be sufficiently long to enable the agencies and enterprises in the developing countries concerned to plan and execute with greater efficiency their investment, production and delivery programmes;

8. Adopt appropriate measures designed to maximize and diversify imports of primary commodities, semi-manufactures and manufactures from developing countries, giving due consideration to the trade and development interests of the latter, and to that end:

(a) Take into account the production and export potential of developing countries in drawing up their plans;

(b) Not encourage the import of primary commodities from other sources whenever they are available on competitive terms in developing countries;

(c) Undertake measures so that imports of manufactures and semi-manufactures from developing countries constitute a growing element in their total imports of manufactures and semi-manufactures;

9. Refrain from re-exporting the goods purchased from developing countries, unless it is with the consent of the developing countries concerned;

10. Take into consideration when extending credits for the financing of projects in developing countries the particular conditions of the countries concerned and make

provisions, where appropriate, for their repayment by the export of the products of those projects or other products;

11. In the light of the recommendation in annex A.III.2 of the Final Act of the first session of the Conference, encourage the conclusion of industrial branch agreements on partial division of labour, providing, *inter alia*, for the supply of plant and equipment on credit to the developing countries accepting repayment of such credits, in particular, with the goods manufactured by these plants in the developing countries concerned;

12. Co-operate in the technological research efforts of developing countries by making available to them, on the most favourable terms possible, the results of their work in this field and also by helping national research efforts in these countries.

III

1. *Recommends* that developing countries, in their efforts to increase their over-all trade, give, in particular, due attention to the possibility of expanding their trade with socialist countries:

(a) By encouraging direct trade relations with these countries;

(b) By endeavouring to adapt their exports to commercial specifications required by their trading partners;

(c) By granting to these countries conditions for trade not inferior to those granted normally to the developed market economy countries;

(d) By undertaking steps to facilitate the implementation of the measures enumerated in part B and by carrying out other positive measures with a view to promoting the further expansion of economic ties and the increase and diversification of mutual trade exchanges.

IV

1. *Requests* the Secretary-General of UNCTAD, in consultation with the regional economic commissions of the United Nations and with the United Nations Economic and Social Office in Beirut and with other competent organs of the United Nations, to keep under review the progress achieved in the expansion of trade (a) between developed market-economy countries and socialist countries giving due consideration to trade interests of developing countries; and (b) between socialist countries and developing countries, and to continue to submit periodic reports thereon to the Conference and to the Trade and Development Board, including the sessional committee to be convened under paragraph 3 hereunder;

2. *Further requests* the Secretary-General of UNCTAD:

(a) To address a questionnaire to Governments on the problems in the establishment of different forms of multilateral payments arrangements between developing and socialist countries and also suggestions thereon and to prepare, for the group of experts mentioned below, a background study on the topic taking into account replies received from the countries concerned and having in view the report on *Payments Arrangements among the Developing Countries for Trade Expansion*.¹¹

¹¹ TD/B/80/Rev.1 (United Nations publication, Sales No.: 67.II.D.6).

(b) To convene a group on multilateral payments arrangements, not later than the first quarter of 1969, consisting of experts from interested socialist, developing and developed market-economy countries to examine, taking into account the study prepared by the Secretary-General and other relevant information, the suitability of different forms of multilateral payments arrangements between developing and socialist countries and to submit its recommendations thereon to the Trade and Development Board for consideration and action;

3. *Requests* the Trade and Development Board to convene periodically a sessional committee to proceed, in the light of the present recommendation, to consultations on, and to the elaboration of proposals concerning, *inter alia*,

(a) The expansion of East-West trade giving due consideration to the trade interests of developing countries,

(b) The expansion of trade between socialist countries and developing countries.

76th plenary meeting,
25 March 1968

22 (II). *Steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development.*¹²

The United Nations Conference on Trade and Development,

Recognizing that the United Nations Conference on Trade and Development has adopted in the recommendation in annex A.I.1¹³ to the Final Act of its first session a set of principles governing international trade relations and trade policies conducive to development,

Recalling the recommendation in Annex A.I.3¹⁴ to that Final Act which calls for the continuation of efforts by the institutional machinery of the Conference to achieve the broadest possible measure of agreement at the earliest possible moment on a set of principles governing international trade relations and trade policies conducive to development,

¹² The Conference adopted this resolution by a roll-call vote of 68 in favour, 17 against and 6 abstentions. The result of the vote was: *In favour*: Afghanistan, Algeria, Argentina, Barbados, Brazil, Bulgaria, Burma, Byelorussian Soviet Socialist Republic, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, China, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Cuba, Czechoslovakia, Ecuador, Ethiopia, Ghana, Guinea, Holy See, Hungary, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Kenya, Lebanon, Libya, Malaysia, Mali, Mauritania, Mexico, Mongolia, Nepal, Niger, Nigeria, Pakistan, Peru, Poland, Republic of Korea, Republic of Viet-Nam, Romania, Saudi Arabia, Senegal, Sierra Leone, Sudan, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia, Zambia.

Against: Australia, Austria, Belgium, Canada, Denmark, Federal Republic of Germany, Finland, France, Ireland, Italy, Japan, Norway, South Africa, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: Greece, Israel, Netherlands, New Zealand, Spain, Turkey.

¹³ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 18-25.

¹⁴ *Ibid.*, p. 26.

Recalling General Assembly resolution 2085 (XX) of 20 December 1965 calling upon member States of the Conference to do their utmost in order to reach as soon as possible the broadest measure of agreement on the principles governing international trade relations and trade policies conducive to development in view of the importance of these principles,

Recognizing that efforts have been made to this end by the Trade and Development Board during its first five sessions,¹⁵

Noting with satisfaction the statements made in the course of the second session of the Conference stressing the importance of the set of principles adopted at the first session of the Conference:

1. *Reaffirms* the great importance of the principles in the improvement of international trade relations and trade policies;

2. *Urges* all member States to support and to implement the set of principles governing international trade relations and trade policies conducive to development;

3. *Requests* the Trade and Development Board in accordance with General Assembly resolution 1995 (XIX) of 30 December 1964, to examine the desirability of elaborating on fundamental issues which may be raised additional principles consistent with the set of principles already adopted and to report thereon to the United Nations Conference on Trade and Development at its third session;

4. *Requests* the Trade and Development Board to establish appropriate machinery for consultation on, and settlement of, problems pertaining to the implementation or non-implementation of any of the existing principles and of new principles that may be adopted hereafter, and further requests the Board to include the observations of member States on such problems in its report to the Conference and to the General Assembly.

77th plenary meeting,
26 March 1968

COMMODITY PROBLEMS AND POLICIES (Agenda item 10)

RESOLUTIONS

16 (II). *International action on commodities*¹⁶

A. *Cocoa*

The United Nations Conference on Trade and Development

Recommends that the United Nations Cocoa Conference should be reconvened immediately after the present session of the Conference and, if necessary, be preceded by consultations so as to ensure its success. In any case, the Cocoa Conference should be convened not later than the end of June and preferably before the end of May.

¹⁵ See reports of the Trade and Development Board (*Official Records of the General Assembly, Twentieth Session, Supplement No. 15*; *ibid.*, *Twenty-first Session, Supplement No. 15*; *ibid.*, *Twenty-second Session, Supplement No. 149*).

¹⁶ The Conference adopted this resolution unanimously.

B. Sugar

The United Nations Conference on Trade and Development,

Noting the reconvening of the United Nations Sugar Conference on 17 April 1968,

Invites the Secretary-General of UNCTAD and Governments concerned to take all necessary steps to ensure its success with the objective of bringing into operation an international agreement by 1 January 1969.

C. Oilseeds, oils and fats

The United Nations Conference on Trade and Development,

1. Invites the secretariats of UNCTAD and of the Food and Agriculture Organization of the United Nations (FAO) to pursue jointly and urgently the study of possible solutions to the problems involved in the trade of oilseeds, oils and fats and specifically of those solutions mentioned in paragraph 10 of the report of the third session of the Study Group on Oilseeds, Oils and Fats to the Committee on Commodity Problems,¹⁷ and that these studies be completed before the end of October 1968;

2. Recommends that, in the light of the studies suggested in paragraph 1 above, the Secretary-General of UNCTAD and the Director-General of FAO, in consultation with interested Governments, consider the necessity of setting up, at the earliest possible date but not later than the end of 1968, an Inter-Governmental Consultative Committee on Oilseeds, Oils and Fats to be entrusted with:

(a) Suggesting short-term measures to improve the market situation of oilseeds, oils and fats;

(b) Examining the results of the studies referred to in paragraph 1 above;

(c) Submitting practical proposals on long-term measures for inter-governmental arrangements in this field as soon as possible;

3. Stresses the importance of the active participation in these meetings by all States members of FAO or UNCTAD having an interest in the production of oilseeds, oils and fats and in the international trade in these commodities.

D. Natural rubber

The United Nations Conference on Trade and Development,

1. Unanimously adopts the report of the UNCTAD Exploratory Meeting on Rubber¹⁸ and endorses the conclusions set out in paragraphs 23 and 24 of that report;

2. Requests the International Rubber Study Group and its Natural and Synthetic Rubber Producers' Consultative Committee to keep a continuing watch on the natural and synthetic rubber situation and the extent to which the remedial measures set out in paragraphs 23 and 24 of the above-mentioned report are effective, to formulate such

further measures as they may judge appropriate and to report periodically to the appropriate bodies of UNCTAD;

3. Charges the Permanent Group on Synthetics and Substitutes, in co-operation with the International Rubber Study Group and, as appropriate, other associated agencies concerned with rubber, with the task of:

(a) Hastening the implementation of the measures referred to in paragraphs 23 and 24 of the report of the UNCTAD Exploratory Meeting on Rubber;

(b) Periodically reviewing the progress of implementation of the measures mentioned in sub-paragraph (a) above;

(c) Ascertaining if the remedial measures instituted are effective;

(d) Considering measures formulated under paragraph 1 above and such other measures for implementation as it may judge appropriate from time to time; and

(e) In general keeping a watch on the natural rubber and synthetic rubber situation;

4. Further requests the Committee on Commodities to review periodically the progress of implementation of these measures and to report to the Trade and Development Board, the first of such reviews to be undertaken at the next session of the Committee on Commodities.

E. Hard fibres

The United Nations Conference on Trade and Development,

Noting:

1. The conclusion of the informal understanding on sisal and henequen reached between the major producing and consuming countries on an indicative price range and export quotas, at the last session of the Consultative Sub-Committee of the Study Group on Hard Fibres;

2. The conclusion of the informal understanding on abaca reached between the major producing and consuming countries on an indicative price range, at the last session of the Consultative Sub-Committee on Hard Fibres, and

Recognizing the value to both producers and consumers of stabilizing at remunerative and equitable price levels the markets for these commodities in the long term,

1. Requests the Secretary-General of UNCTAD, in consultation with the Director-General of FAO and the Governments of the member States concerned, to follow closely and evaluate the operations of the informal understandings referred to above with regard to achieving stabilization at remunerative and equitable price levels of the markets of these commodities;

2. Further requests the Secretary-General of UNCTAD, in consultation with the Director-General of FAO and the Governments concerned, to consider further steps for achieving the above objectives, including the possibility of a formal agreement;

3. Urges that Governments, in any measures they take, give due consideration to the efforts of producers of sisal, henequen and abaca to improve market conditions

¹⁷ FAO, document CCP/68/3.

¹⁸ TD/39.

through current informal arrangements particularly in defending the indicative price ranges for these commodities as agreed upon during the session.

F. Jute

The United Nations Conference on Trade and Development,

Noting the conclusion of an informal arrangement on jute,

1. *Considers* that the arrangement should be continued and strengthened;

2. *Also considers* that effective international action is necessary for the stabilization of the price of jute in the world market;

3. *Recommends* that the Study Group on Jute and Allied Fibres should, in consultation with the UNCTAD secretariat, urgently explore the possibility of setting up an appropriate buffer-stock scheme for this commodity, as suggested in paragraph 24 of its Consultative Committee's report (CCP/JU. 68/9), and keep the Committee on Commodities informed of the progress made.

G. Other commodities

The United Nations Conference on Trade and Development,

Noting the activities of the Study Group on Bananas and the Study Group on Citrus Fruit and of the commodity bodies concerned with cotton and tungsten and the *ad hoc* meetings on tea, and the decision to convene shortly an *ad hoc* meeting on wine,

Also noting that in the case of iron-ore, tobacco, manganese-ore, mica, pepper, shellac and phosphates, no study groups or *ad hoc* meetings have so far been arranged,

Recognizing that all the commodities mentioned above require prompt consideration as a basis for appropriate action and that to this effect inter-governmental consultations might appear necessary, in accordance with the following procedures, in order:

(a) To identify the problems faced by the commodity;
(b) To determine the techniques appropriate for dealing with them;

(c) To agree on appropriate remedial measures,

1. *Requests* the *ad hoc* meetings and commodity bodies mentioned above to examine the commodity concerned on the lines indicated above in close co-operation with the Secretary-General of UNCTAD at their next meeting;

2. *Further requests* these bodies to transmit the results to the Committee on Commodities of UNCTAD for consideration and review;

3. *Invites* the Secretary-General of UNCTAD, taking into account the views of the commodity group concerned and after consulting with the interested member Governments to arrange for inter-governmental consultations;

4. *Also requests* the Secretary-General of UNCTAD, in the case of those commodities not covered by international bodies, to make such studies as may be appropriate in co-operation with the competent international institutions and to arrange, after consulting with the interested

member Governments, the inter-governmental consultations he may consider necessary to examine these commodities on the lines indicated above;

5. *Agrees* that, as far as practicable, these studies should be made and these consultations should be held concurrently for all the commodities and not on a commodity-after-commodity basis and that they should aim at achieving practical results by the end of 1969;

6. *Further requests* the Secretary-General of UNCTAD to report periodically on these studies or consultations to the Committee on Commodities and to the Trade and Development Board.

At the request of interested Governments, the Secretary-General of UNCTAD should initiate appropriate action on the lines set out in the preceding paragraph for such commodities as may be included in the list from time to time with an appropriate time schedule for each commodity.

For products of the temperate zone produced by developing countries and not specifically mentioned in the preceding paragraphs, the Secretary-General of UNCTAD should continue to exchange information with the General Agreement on Tariffs and Trade, FAO and other international agencies in conformity with General Assembly resolution 1995 (XIX) of 30 December 1964, with the objective of making a comprehensive and continuing evaluation of the problems and of measures to be adopted for their solution, and should report periodically to the Trade and Development Board.

77th plenary meeting,
26 March 1968

17 (II). General agreement on commodity arrangements¹⁹

The United Nations Conference on Trade and Development,

Reaffirming the role of UNCTAD under General Assembly resolution 1995 (XIX) of 30 December 1964 in the field of commodity trade,

Recalling resolution 36 (V) of the Trade and Development Board concerning the preparation of a draft general agreement on commodity arrangements,

Taking into account the exchange of views on that question at the second session of the Conference,

Recognizing the importance attached by many delegations to the urgent elaboration of a general agreement on commodity arrangements for the promotion and convening of international commodity conferences,

1. *Recommends* that the Secretary-General of UNCTAD invite the Governments of member States of UNCTAD to make their comments on the secretariat's report (TD/30) concerning the substance and the form of a general agreement on commodity arrangements;

2. *Urges* the Committee on Commodities to study carefully at its third session the replies of the Governments and to suggest further steps it deems useful in order that the Trade and Development Board at its

¹⁹ The Conference adopted this resolution without dissent.

eighth session would be in a position to establish a suitable procedure for the preparation and adoption of a General Agreement.

*77th plenary meeting,
26 March 1968*

18 (II). *Co-ordination by UNCTAD
of the activities of inter-governmental commodity bodies*²⁰

The United Nations Conference on Trade and Development,

Recalling UNCTAD's responsibilities in connexion with international commodity policy as defined in General Assembly resolution 1995 (XIX) of 30 December 1964, and stressing the importance of a co-ordinated approach to the preparatory work for the conclusion of inter-governmental commodity stabilization arrangements,

Reaffirming also Trade and Development Board resolution 36 (V),

Noting with satisfaction the positive role played by inter-governmental commodity organizations,

1. *Recommends* that the Trade and Development Board and the Secretary-General of UNCTAD follow the activities of existing commodity groups and facilitate their co-ordination in order to promote international co-operation in commodity matters generally and, where appropriate, the conclusion of international commodity stabilization arrangements;

2. *Requests* the Secretary-General of UNCTAD to report to the Committee on Commodities on the activities of inter-governmental commodity bodies;

3. *Invites* all interested Governments members of UNCTAD to consider the possibility of joining the existing international organizations, including study groups, in order to strengthen their activities in the commodity field.

*77th plenary meeting,
26th March 1968*

19 (II). *Studies by international financial
institutions on stabilization of commodity prices*²¹

The United Nations Conference on Trade and Development,

Reaffirming the importance and urgency of so conducting commodity trade as to make available to the developing countries external resources of which they stand in grave need,

Noting the resolution on commodity price stabilization adopted by the Board of Governors of the International Bank for Reconstruction and Development (IBRD) and of the International Monetary Fund (IMF) at the Rio de Janeiro session in September 1967²² requesting a

study of the conditions in which IMF, IBRD and the International Development Association (IDA) could participate in introducing suitable machinery comprising commitments balanced as between producer and consumer countries and allocate the necessary funds thereto,

1. *Emphasizes* the importance of the role of IMF, IBRD and IDA in helping to solve the financial and development problems arising in world commodity trade;

2. *Calls the attention* of these agencies to the importance it attaches to the study requested of them in the above-mentioned resolution;

3. *Expresses the hope* that this study will contribute to the solution of commodity problems;

4. *Further expresses the hope* that these agencies, in preparing the study, will concentrate, *inter alia*, on the problems of financing buffer stocks and diversification;

5. *Requests* these agencies to transmit the study to UNCTAD, in view of the latter's responsibility, as defined in General Assembly resolution 1995 (XIX) of 30 December 1964, for the framing and implementation of an international policy on commodities.

*77th plenary meeting,
26 March 1968*

20 (II). *Guaranteed minimum agricultural income*²³

The United Nations Conference on Trade and Development,

Recalling Article 55 of the Charter of the United Nations which provides, *inter alia*, that the United Nations shall promote "higher standards of living, full employment, and conditions of economic and social progress and development",

Considering that the existence of reasonable and stable remunerative prices for primary commodities exported by the developing countries would help to ensure, for the producers of such commodities, an enhanced and more equitable purchasing power,

1. *Emphasizes* that remunerative prices for primary commodity exports would help the Governments of the developing countries to ensure a reasonable income for the producers;

2. *Notes with interest* the proposal in the report of the First Committee of the Ministerial Meeting of the Group of 77 contained in the annex I to the Charter of Algiers,²⁴

3. *Requests* the Secretary-General of UNCTAD, in co-operation with the competent specialized agencies, to submit to the next session of the Committee on Commodities an outline of a first study on the possibility of defining the elements of a minimum agricultural income for wage-earning and other producers of primary com-

²⁰ *Idem*.

²¹ The Conference adopted this resolution with one abstention.

²² Resolution 22-9 — Stabilization of prices of primary products, adopted on 29 September 1967, by the Board of Governors of the International Monetary Fund, in joint session with the Boards of

Governors of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association (see IMF, *Summary Proceedings, Annual Meeting*, 1967, p. 280).

²³ The Conference adopted this resolution without dissent.

²⁴ TD/38/Add.1, annex I.

modities in developing countries and the links which could be established between such a minimum agricultural income and an organization of trade in primary commodities of interest to those countries.

*77th plenary meeting,
26 March 1968*

EXPANSION AND DIVERSIFICATION OF EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES OF DEVELOPING COUNTRIES

(Agenda item 11)

RESOLUTIONS

21 (II). *Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to the developed countries*²⁵

The United Nations Conference on Trade and Development,

Having examined the problems relating to the application of a generalized non-reciprocal, non-discriminatory system of preferences in favour of the developing countries,

Having taken cognizance of the Charter of Algiers,²⁶ the report of the Special Group on Trade with Developing Countries submitted by the Organisation for Economic Co-operation and Development (OECD),²⁷ and document TD/II/C.2/L.5, submitted by the Group of 77,

Recognizing the progress achieved since the first session of the Conference as reflected in the OECD report which involves a major change in commercial policies as between developed market-economy countries and the developing countries,

Recognizing the unanimous agreement in favour of the early establishment of a mutually acceptable system of generalized non-reciprocal and non-discriminatory preferences which would be beneficial to the developing countries,

Considering that it was not possible to achieve sufficient progress in respect to some key questions related to this problem,

Convinced of the need for further intensive work so as to elaborate such a system,

1. *Agrees* that the objectives of the generalized non-reciprocal, non-discriminatory system of preferences in favour of the developing countries, including special measures in favour of the least advanced among the developing countries, should be:

- (a) To increase their export earnings;
- (b) To promote their industrialization;
- (c) To accelerate their rates of economic growth;

2. *Establishes*, to this end, a Special Committee on Preferences, as a subsidiary organ of the Trade and Development Board, to enable all the countries concerned to participate in the necessary consultations. Any member State which is unable to participate in the Special Com-

mittee may make its views known to the Secretary-General of UNCTAD who will bring them to the attention of the Special Committee;

3. *Decides* that, for the purpose of the action to be taken in accordance with paragraph 2 above, due account should be taken of the agreements and comments contained in the report of the Second Committee,²⁸

4. *Requests* that the first meeting of the Special Committee be held in November 1968 to consider the progress made by that time, and further requests that a second meeting be held in the first half of 1969 so that the Committee can draw up its final report to the Trade and Development Board; the aim should be to settle the details of the arrangements in the course of 1969 with a view to seeking legislative authority and the required waiver in the General Agreement on Tariffs and Trade as soon as possible thereafter;

5. *Notes* the hope expressed by many countries that the arrangements should enter into effect in early 1970.

*77th plenary meeting,
26 March 1968*

25 (II). *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 — restrictive business practices*²⁹

The United Nations Conference on Trade and Development,

1. *Decides* that a study be carried out on the question of the restrictive business practices adopted by private enterprises of developed countries, with special references to the effects of such practices on the export interests of the developing countries, especially on the relatively least developed. The nature, scope and characteristics of this study shall be determined by the Trade and Development Board at its seventh session after hearing the views of the Committee on Manufactures;

2. *Requests* the Secretary-General of UNCTAD to prepare an outline of the study and to submit it to the said Committee at its third session.

*78th plenary meeting,
27 March 1968*

GROWTH, DEVELOPMENT FINANCE AND AID (SYNCHRONIZATION OF INTERNATIONAL AND NATIONAL POLICIES)

(Agenda item 12)

DECISIONS

27 (II). *Aid volume target*³⁰

1. The Conference agrees that economic development entails mutually reinforcing efforts by developing and developed countries. It is appreciated that developing

²⁵ The Conference adopted this resolution unanimously.

²⁶ TD/38.

²⁷ TD/56.

²⁸ The report of the Second Committee appears in annex VII.

²⁹ The Conference adopted this resolution by 57 votes to 12, with 9 abstentions.

³⁰ The Conference adopted this decision by 69 votes to none, with 8 abstentions.

countries must and do bear the main burden for financing their own development. The developed countries, for their part, recognize their responsibility to provide increased resources to developing countries. The Conference stresses that, in view of the crucial role of external resources in helping to mobilize the domestic resources of developing countries, the efforts of developed countries in support of development should be further intensified.

2. The Conference accordingly recommends that each economically advanced country should endeavour to provide annually to developing countries financial resource transfers of a minimum net amount³¹ of 1 per cent of its gross national product (GNP) at market prices in terms of actual disbursements, having regard to the special position of those countries which are net importers of capital.

3. The Conference recognizes that the target should be regarded as an incentive to greater efforts to provide resources rather than as a ceiling or a suitable method for comparing the appropriate quantitative or qualitative development assistance efforts as between different economically advanced countries.

4. Some economically advanced countries have already met the target as defined above. They are prepared to endeavour to ensure that their net financial resource transfers are maintained and to envisage, if possible, an increase in them.

5. Several developed countries expressed the view that their progress towards the target is affected by their relative aid-giving capacity, and may, from time to time, be affected by certain temporary difficulties.

6. In the view of developing countries and some donor countries this target should be achieved by 1972; some other donor countries stated that they were prepared to meet this target either by this date or at the latest by 1975; all the other donor countries do not feel able to accept a precise date.

7. The Conference recognizes the official bilateral and multilateral flows are clearly required to meet many of the basic needs of developing countries. It is generally accepted that the resources which individual donor countries can provide differ widely in composition in view of the differences in their economic structure. The Conference recognizes, moreover, that private funds have their role to play, and in order to meet the increasing needs of developing countries, these as well as official flows should be promoted. A number of developed countries

stated that within the 1 per cent target defined above, they were prepared to attempt to provide a minimum of 0.75 per cent of their GNP by way of net official financial resource transfers.³² One developed country expressed the view that this proportion should be at least half of the 1 per cent target. The other developed countries, even though they are not prepared to accept any precise ratio, believe that endeavours should be made to ensure that official bilateral and multilateral flows represent a substantial part of the totality of financial resources provided.

8. Annual progress reports in an appropriate form should be submitted and reviewed in terms of General Assembly resolution 1995 (XIX) of 30 December 1964 and Trade and Development Board resolution 19 (II).

79th plenary meeting,
28 March 1968

28 (II). *Improving the mobilization of internal resources*³³

1. The Conference recognizes that the primary responsibility for their development rests with the developing countries themselves. While appreciating the efforts already made by the developing countries to mobilize and make effective use of their internal resources, the Conference considers that further efforts in this regard are essential for accelerating economic development in the developing countries. These efforts are also important for mobilizing public opinion in developed countries in support of their assistance programmes.

2. In the interests of rapid development, developing countries need both to mobilize internal resources as fully as possible and to ensure effective use of available resources both internal and external. The Conference notes with satisfaction the continuing progress being made in development planning and the increasing recognition that effective implementation is an essential part of the planning process. Implementation involves a broad range of economic and social policies conducive to development. It also depends on the creation of the necessary institutions and on mobilization of public support and co-operation in developing countries.

3. The Conference recognizes that external resources can help to make possible full deployment of the resources and efforts of developing countries, and at the same time that well directed efforts by the developing countries are necessary in order for external resources to make their full contribution to development.

4. Countries which provide external resources in support of development are concerned that these resources should not replace but should supplement and help to mobilize adequate domestic efforts and should be effectively used. The Conference acknowledges, however, that priorities, problems and possibilities differ between developing countries, and that the standards of effort which it is reasonable to expect depend on the circumstances of individual developing countries.

³¹ Net financial resource transfers are defined as follows:

(a) Official cash grants and grants in kind including grants for technical assistance but excluding grants for defence purposes; sales of commodities against local currencies exclusive of utilization of such currencies by the donor country for its own purposes; government lending for periods exceeding one year net of repayments of principal; grants and capital subscriptions to multilateral aid agencies, and net purchases of bonds, loans and participation from those agencies.

(b) Private capital on the basis of net long-term movements originating with residents of the capital-exporting countries; they are thus net of repatriation of principal, disinvestment and retirement of long-term loans, portfolio assets and commercial debt. They are not net of reserve flows of capital originating with residents of less-developed countries, nor of investment income.

³² Net official financial resource transfers are defined in paragraph (a) of foot-note 31.

³³ The Conference adopted this decision by 68 votes to none, with 5 abstentions.

5. With these considerations in mind, the Conference stresses the importance of continuing frank and constructive exchanges between providers and recipients of external resources. The Conference notes with interest the experience gained in consortia and consultative groups, and also the establishment of certain mechanisms for mutual review and exchange of experience among developing countries. It recommends that attention should be given to the further development and extension of such arrangements.

6. The UNCTAD secretariat should continue its work on the relations between the rate of growth and the amount of aid received. Its studies should take account of alternative development targets, policies and standards of effort and external circumstances. They should seek to investigate any relevant implications of factors which may lead to limitation of absorptive capacity and evaluate the effects of alternative types of performance, including the possibilities for useful import substitution.

*79th plenary meeting
28 March 1968*

29 (II). *Improving the terms and conditions of aid alleviating the problems of external indebtedness*³⁴

Terms of aid

1. The Conference endorses the view expressed in the Agreed Statement on the Problems of Development³⁵ that the terms of development assistance generally remain too hard. Further efforts are required to soften the terms of aid and to harmonize the terms given by individual developed countries to individual developing countries. Developed countries agree to renew their efforts to achieve by the end of 1968 the terms and conditions of external resources laid down by the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development in its resolution of July 1965, and by the General Assembly of the United Nations in its resolution 2170 (XXI) of 6 December 1966. The Conference urges those countries which are now furthest from these norms to make special efforts to achieve them.

2. The Conference notes with appreciation that a review of the terms and conditions specified in the Recommendations of DAC is to be undertaken this year and expresses the hope that it will result in their further liberalization. It considers that efforts should be made to raise the norms set out in the present target, either by increasing the amount of aid given in the form of grants, or by improving interest rates, maturities of grace periods, or by increasing the grant element of the official aid commitments of donor countries. Developing countries and some developed countries consider that either of the following alternative norms, to be achieved by the end of 1970, should be specified for each donor country.

Either

(a) developed countries might provide 80 per cent or more of their official aid in the form of grants;

Or

(b) they might:

- (i) provide 90 per cent of their official aid commitments as grants or loans at 2.5 per cent or less, with a repayment period of thirty years or more;
- (ii) attain a minimum grace period of eight years.

The developed countries generally take note of these suggestions and will consider them in the evolution of their assistance policies.

3. The Conference recognizes that the ability of individual countries to service external debt varies. It recognizes also that the terms on which different types of funds are obtainable to promote development vary. It considers, however, that most developing countries will need to receive development assistance on soft terms for a long time ahead whether the judgement is based on their national income per head or their external financial position and prospects. The developing countries and some developed countries consider that, by 1975, the bulk of bilateral lending should be on terms comparable in general effect though not necessarily identical in all individual respects with the terms currently applied by the International Development Association (IDA), with suitable arrangements made to enable developing countries not now eligible to avail themselves of these terms to do so. The developed countries generally take note of these suggestions and agree to consider them in the further evolution of their lending policies.

4. The Conference stresses the importance of harmonizing the terms of assistance to individual countries, particularly but not exclusively in the case of countries for which multilateral co-ordinating arrangements exist. Further study should be given to the determinants of debt-servicing capacity, with a view to establishing general criteria for settling terms for countries or groups of countries. Judgements on the terms to be offered should be made, where possible, on a case-by-case basis. Particular regard should be paid to the needs of the least-developed countries in determining terms. Some donor countries emphasize that the over-all terms of aid of individual donors should be taken into account in this connexion.

5. Some donor countries point out that for them the volume of lending and the rate at which terms can be improved are closely connected, especially if the donor country has to provide at least part of its aid by raising funds in the private capital market, and to subsidize the rates at which they are re-lent to developing countries. They also point out that the problem is particularly acute in view of their relatively limited aid-giving capacity.

6. The Conference considers that further study is necessary of possible improvements in techniques of lending, having to do among other things with conditions and schedules of repayments, and requests the International Bank for Reconstruction and Development (IBRD) to prepare such a study in consultation with the Secretary-General of UNCTAD and the International Monetary Fund (IMF). In particular the study should take into account the possibility of postponing or waiving interest and amortization payments in years of foreign exchange stringency. The results of this study should be presented

³⁴ The Conference adopted this decision by 63 votes to none, with 7 abstentions.

³⁵ See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 3, annex II.*

to the third session of the Committee on Invisibles and Financing related to Trade.

7. The Conference welcomes the increased availability of financial assistance for programme financing and stresses that external finance should be made available both for programmes and projects and should include local costs where necessary. Since development requires a continuous supply of external resources, individual donor countries should take such steps as they can to ensure such continuity.

Commercial credits including suppliers' credits

8. The Conference endorses the judgement in the Agreed Statement that commercial credits add to the flow of resources and can play a useful role, within limits, in promoting development. They are, however, no real substitutes for long-term development aid.

9. It is noted in the Agreed Statement that four main questions arise:

(a) To what extent should commercial credits be adapted to promote development as well as trade?

(b) How should its acceptance and use be controlled by both recipients and lenders?

(c) Should the terms be softened, and what would be the implications for both aid and trade?

(d) Should the question whether any new institutional arrangements are needed to alleviate harmful developments in the field of commercial credits be further studied?

10. The Conference invites the IMF to prepare a study on these questions, in consultation with member Governments, with the secretariat of UNCTAD, IBRD and other appropriate institutions. This study should be made available for discussion in the Committee on Invisibles and Financing related to Trade, which will then decide whether to refer it to an inter-governmental group with equitable representation of developing and developed countries, or to deal with it in some other appropriate way.

11. The Conference further requests the United Nations Secretariat and the IBRD to continue, in consultation with other institutions, the study of commercial credit as a means of assisting developing countries to increase their exports and to finance trade with each other including ways in which facilities available to them might be strengthened and developed. Consideration should be given to the possibility of refinancing by international financial institutions of commercial credit extended by developing countries.

Indebtedness

12. The Conference recognizes the gravity of the problems of external indebtedness and acuteness of some of them, and the fact that such problems arise not only from official lending but also from commercial credit. It considers, first, that as was noted in the Agreed Statement, further analysis is required of the whole question of indebtedness, differentiating between the various types of debt involved. These must not be judged in isolation but in relation to the debt-servicing capacity of the country

concerned, its external trade and its rate of growth. The problem of indebtedness is also linked with the problems of terms and volume of aid.

13. Secondly, improved arrangements to forecast and forestall debt crises are clearly desirable.

14. Thirdly, since the first objective must be to prevent crises from arising, developing countries should undertake sound policies of debt management, while developed countries should help by providing assistance on appropriate terms and conditions.

15. Finally, where difficulties do arise, countries concerned should stand ready to deal reasonably with them within the framework of an appropriate forum, in co-operation with the international institutions concerned. They should bear in mind that some developing countries are carrying an excessively heavy burden of long-term debt, having regard to their need to sustain an adequate rate of economic growth and that suitable measures should be adopted in appropriate cases to alleviate this burden. In other cases, situations of crisis may arise and arrangements to refinance or reschedule on appropriate terms and conditions may be required. Present institutional arrangements for dealing with such problems may require review when the analysis of the problems has proceeded further and the arrangements for forecasting situations have been further developed.

Tied aid

16. The Conference, while recognizing that the causes and effects of tied aid need to be further studied, endorses the judgement on the effects of tying contained in the Agreed Statement. Tying restricts the developing countries' opportunities of benefiting from the price and quality advantages which normally accrue from a free choice of suppliers. This is particularly the case when restrictions are imposed not only as to the source of procurement of the goods but also as to the nature of the goods. Further, tying tends to reduce the real value of aid inasmuch as the definition and the choice of projects and of technology best suited to the requirements of the developing countries is limited. Some of these disadvantages may be mitigated if a country has the freedom of recourse to several sources of procurement or to a broad range of goods and services from one source. Furthermore, some tied loans are used for reimbursing import payments relating to contracts which have been obtained in open international competition.

17. The Conference therefore considers that, in principle, financial assistance should be untied. Many donors, however, find it necessary to tie their aid, mainly in order to protect their balance of payments or to secure public support for their aid programmes. The tying of aid is therefore directly related to the level of aid.

18. The Conference urges the developed countries to take what practical measures they can, individually or collectively, both to reduce the extent of tying and to mitigate any harmful effects. The Conference considers that in any case efforts should be made to mitigate harmful effects of tying. Practical steps might include:

(a) A greater provision for the use of aid funds to cover local costs;

(b) The allowing of procurement in developing countries;

(c) A broadening of the range of commodities or services to which aid may be devoted so that recipients have reasonable freedom of choice;

(d) Improvement in the administration of procurement;

(e) A development of pooling systems under which contracts might be decided by international competitive bidding within a group of donor countries.

19. The Conference urges member Governments of IBRD and IDA to ensure that these institutions continue to apply the principle of international competitive bidding in the use of their resources.

20. Developing countries also consider that double tying, that is, tying to sources of procurement as well as to specified products, should be eliminated except in the case of project assistance, and that donors should subsidize the excess cost of procurement resulting from tying practices. Developed countries are unable to accept the second suggestion and are not unanimously able to accept the first.

Access to capital markets

21. The Conference notes the concern felt by the developing countries over the question of access to capital markets by themselves and by multilateral development institutions, and invites the Secretary-General of UNCTAD to seek the advice of the IBRD and the regional development banks with a view to its discussion by the Committee on Invisibles and Financing related to Trade.

Interest equalization

22. The Conference notes the studies prepared by the secretariat on the proposal for a multilateral interest equalization fund to cover the interest margin between loans obtained on international capital markets and concessional development loans. It notes, further, that the technique of subsidizing the rates at which funds raised on the private capital market are relented as aid is already practised by a number of donors. It commends the technique to those who find it an appropriate means of achieving appropriately soft terms. The proposal for a multilateral scheme raises a number of problems. The Conference invites the Secretary-General of UNCTAD to keep the matter under review and to report to the third session of the Committee on Invisibles and Financing related to Trade.

23. Annual progress reports in an appropriate form should be submitted and reviewed in terms of General Assembly resolution 1995 (XIX) of 30 December 1964 and Trade and Development Board resolution 19 (II).

*79th plenary meeting,
28 March 1968*

30 (II). *Supplementary financial measures*³⁶

1. The Conference reaffirms the objective of the proposal for Supplementary Financial Measures set out

³⁶ The Conference adopted this decision by 70 votes to none, with 8 abstentions.

in Annex A.IV.18³⁷ to the Final Act of the first session of the Conference. This states that "the new scheme should aim to deal with problems arising from adverse movement in export proceeds which prove to be of a nature or duration which cannot adequately be dealt with by short-term balance-of-payments support. Its purpose should be to provide longer term assistance to developing countries which would help them to avoid disruption of their development programmes."

2. Any measures devised to meet this need should, on the basis of appropriate criteria, which should, to the extent possible, be objective, provide reasonable assurance of help to protect a country's development plan or programme against the effects of export shortfalls, to the extent that they cannot be met by short-term balance-of-payments support.

3. The Conference expresses its appreciation of the report prepared by the staff of the International Bank for Reconstruction and Development;³⁸ and of the reports of the Inter-governmental Group on Supplementary Financing.³⁹ These reports have defined the issues involved and clarified many of them. The Conference agrees that further work is required to resolve some outstanding issues. The principal issues are:

(a) The definition and method of assessment of reasonable expectations;

(b) The scope, nature and acceptability of the understandings between the administering agency and individual participant countries on their development programmes and the policies to be adopted in order to carry them out;

(c) The measures to be taken by countries applying for assistance;

(d) The relationship between supplementary finance and the IMF Compensatory Financing Facility.

4. A matter requiring additional attention is how to determine in quantitative terms the disruption which has resulted from export shortfalls and consequently, what are the financial implications of proposals to meet the objectives of part A of recommendation A.IV.18.

5. Some of the issues set forth in paragraphs 3 and 4 above would arise not only from consideration of the IBRD staff Scheme but from consideration of other measures to meet the objectives of part A of recommendation A.IV.18, including those submitted to the Inter-governmental Group. Any additional proposals clearly responsive to the recommendation should receive due attention, with the aim of working out the most effective measures possible.

6. The Conference decides:

(a) To continue in existence the Inter-governmental Group suitably expanded;

³⁷ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 52 and 53.

³⁸ *Supplementary Financial Measures — a Study requested by the United Nations Conference on Trade and Development, 1964* (International Bank for Reconstruction and Development, December 1965).

³⁹ TD/B/C.3/41, TD/B/C.3/44 and TD/33/Rev.1 (United Nations publication, Sales No.: E.68.II.D.3).

(b) To request the Inter-governmental Group to consider and attempt to resolve the issues set forth in paragraphs 2 to 5 above;

(c) In the light of the foregoing considerations to instruct the Inter-governmental Group to work out measures for supplementary finance;

(d) To instruct the Inter-governmental Group to report thereon to the Trade and Development Board as early as possible, and no later than its ninth session;

(e) To direct the Trade and Development Board to study and take early action on the findings of the Inter-governmental Group, taking account of any proposals for action in the field of international commodity policy which may be submitted to the Board of Governors of the IBRD and the IMF on the basis of the studies which they have requested to be presented to them at their next annual meetings;

(f) To instruct the Chairman of the Inter-governmental Group to report on its progress to the seventh session of the Trade and Development Board.

*79th plenary meeting,
28 March 1968*

31 (II). *Compensatory financing facility*⁴⁰

The Conference notes with satisfaction that the International Monetary Fund (IMF) has adopted measures for the liberalization of the Compensatory Financing Facility in response to recommendation A.IV.17⁴¹ of the Final Act of the first session of the Conference. The Conference further notes that much more extensive use has been made of the Fund Facility since its revision in September 1966. As the revised Facility has been in operation only for about eighteen months, further experience seems to be necessary before any further revision of the Facility is undertaken. The Conference, however, draws the attention of Governments members of the IMF to the following suggestions made in discussion and refers them to the IMF for consideration in its continuing review of the Facility.

1. Adverse movements in import prices should render a developing country eligible for a drawing under the Facility;

2. Drawings on the International Monetary Fund under the Facility should be immediately available up to 50 per cent of the countries' quotas in the Fund and such drawings should not be subject to any conditions;

3. The re-purchase liability in respect of outstanding drawings on the Facility should not arise within five years after the drawing and thereafter should fall due only in the years in which the countries' exports exceed the estimated trend value and should not exceed 50 per cent of the export excess;

4. The liability of the drawing country in respect of the interest charges on the outstanding compensatory

drawings should be calculated separately from that in respect of ordinary drawings and should not attract the normal progressive interest provisions of IMF.

*79th plenary meeting,
28 March 1968*

32 (II). *International monetary system — issues relating to development finance and trade of developing countries*⁴²

1. The Conference recognizes the great interest of the developing countries in the satisfactory operation of the international monetary system so as to allow them to share the benefits of the continued expansion of the world economy.

2. The Conference notes with satisfaction the agreement reached during the annual meeting of the Board of Governors of the International Monetary Fund (IMF) in September 1967 in Rio de Janeiro on an Outline to create Special Drawing Rights within the Fund,⁴³ and the participation of the developing countries represented by their Executive Directors in the Fund in the negotiations that led to the agreement on the Outline. It stresses the importance of active participation of these countries in the operation of the new arrangements for Special Drawing Rights.

3. In view of the fact that, according to the Outline, the Special Drawing Rights will be distributed in proportion to member States' quotas, the Conference invites Governments of States members of IMF to continue to give careful consideration to applications from developing countries for increases of quotas so as to enable these countries to benefit more from the facilities of the Fund.

4. The Conference recommends that the Secretary-General of UNCTAD, after consultation with the appropriate international institutions, review progress since the first session of the Conference towards the reform of the international monetary system, devoting particular attention to the needs of the developing countries in their trade with one another and the rest of the world, and, if he considers it necessary, that he should make to the Trade and Development Board in due course any suggestions which he may have for special study of this matter.

5. The developing countries stress the importance of the early activation of the Special Drawing Rights scheme.

6. During the last annual meeting of the Board of Governors of IMF, the Executive Directors were also requested to review the rules and practices relating to the traditional activities of the Fund and to propose amendments in the light of such review.⁴⁴ The developing countries recommend to Governments of States members

⁴⁰ The Conference adopted this decision by 67 votes to none, with 8 abstentions.

⁴¹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 52.

⁴² The Conference adopted this decision by 71 votes to none, with 8 abstentions.

⁴³ Resolution No. 22-28, adopted on 29 September 1967 by the Board of Governors of the International Monetary Fund, in joint session with the Boards of Governors of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association (see IMF, *Summary Proceedings, Annual Meeting, 1967*, pp. 271-279).

⁴⁴ *Ibid.*, p. 272.

of IMF that the IMF, in its operations and in considering possible changes in its rules and practices with regard to the use of, and conditions attached to, drawings, should not introduce any changes that would work to the disadvantage of the developing countries, and that any change should be in the direction of softening the terms and conditions applicable to drawings by the developing countries. As a first step in this direction the IMF is urged to consider the extension of the repurchase period applicable to ordinary drawings by developing countries to seven to nine years.

7. With regard to the various proposals for forging a link between the creation of Special Drawing Rights and the provision of external development finance, the developing countries urge Governments of States members of IMF to consider at an early date the establishment of such a link.

79th plenary meeting,
28 March 1968

RESOLUTION

33 (II). *Increasing the flow of private capital to developing countries*⁴⁵

The United Nations Conference on Trade and Development,

Recognizing the important role that private foreign investment can play in the economic development of developing countries by providing capital, technical services and know-how,

Bearing in mind that continuing systematic study concerning the structures of foreign investment and its economic effects in the developing countries is essential, if foreign investment is to make its optimum contribution to development,

Bearing in mind the efforts and measures of both developed and developing countries, as well as interested international institutions, to promote foreign private investment in developing countries,

Recalling recommendation A.IV.12⁴⁶ of the first session of the United Nations Conference on Trade and Development,

Taking note of the report entitled "The role of private enterprise in investment and promotion of exports in developing countries" (TD/35 and Supp. 1),

Believing that in the interest of increasing the flow of private foreign investment to developing countries and improving its effectiveness, it is important that this matter should be the subject of a dialogue between developed and developing countries,

Taking note of Economic and Social Council resolution 1286 (XLIII) of 14 November 1967 which requested the Secretary-General of the United Nations to consult with Governments and international organizations concerned on their experience and attitudes to the various

problems discussed in the Secretary-General's report on promotion of foreign private investment in developing countries⁴⁷ and on opportunities and means of implementing the specific recommendations contained in that report,

Taking note of General Assembly resolution 2091 (XX) of 20 December 1965 and Economic and Social Council resolution 1201 (XLII) of 26 May 1967 which call on the Secretary-General of the United Nations to undertake thorough study of the manner, forms, conditions, costs and effects of the transfer of patented and non-patented technology from foreign enterprises to enterprises in developing countries (both public and private),

1. Requests the Secretary-General of the United Nations in carrying out these tasks, in particular with a view to providing useful guidelines to both developing and developed countries with respect to foreign investment, to bear in mind, *inter alia*, the importance of the following considerations:

(a) Criteria and practices employed by developing countries for the acceptance and promotion of foreign investment;

(b) Developing countries' policies governing relative shares of foreign and host country investors in capital investment;

(c) The forms of foreign equity participation such as cash investment, supply of machinery and equipment, provision of technical services and know-how;

(d) Policies and practices governing foreign participation in management and training of management personnel in developing countries;

(e) Investment opportunities and fields of investment for foreign enterprises;

(f) Policies and measures of developing countries with regard to the use of patents and licences supplied by foreign enterprises;

(g) Adequacy of existing business practices for transfer of technology to developing countries through patents and licences by foreign enterprises;

(h) Policies applied by foreign enterprises with respect to goods and services produced by these firms;

(i) Tax treatment of foreign investment, both in capital importing and capital exporting countries;

(j) Practices of foreign enterprises as regards exports of products resulting from foreign investment and/or grant of patents and licences;

(k) Reinvestment undertaken by foreign enterprises from income earned in developing countries;

(l) Policies applied by the developed countries with regard to the flow of private capital to developing countries and by developing countries with regard to the repatriation of capital and earnings;

(m) The introduction of incentives by the developing and developed countries to encourage such flows;

(n) Policy of developing countries towards employment of foreign personnel and imports of machinery and equipment;

⁴⁵ The Conference adopted this resolution by 67 votes to 3, with 6 abstentions.

⁴⁶ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 49 and 50.

⁴⁷ See *Private Foreign Investment in Developing Countries* (E/4446) (United Nations publication, Sales No.: E.68.II.D.2).

2. *Notes with interest that, in accordance with General Assembly resolution 2276 (XXII) of 4 December 1967, the Secretary-General of the United Nations is requested to include in the regular report on the international flow of long-term capital and official donations such statistics as are available of reverse flows of capital from the developing countries, assessing their significance in relation to total financial transfers and giving an analysis of factors affecting them;*

3. *Further requests the Secretary-General to undertake a study of the economic effects of foreign investment, as outlined in annex XIII to the report on *Measurement of the flow of resources to developing countries*.⁴⁸*

4. *The studies shall take into account:*

(a) *The level of economic development of the developing countries;*

(b) *Studies carried out by other agencies with respect to any of the items enumerated in operative paragraph 1. The studies shall, on the basis of their findings, also recommend policy measures and practices concerning foreign investment and transfer of technical services and know-how, and make any suggestions relevant to the purpose of the study;*

5. *Recommends that these studies and reports be submitted to competent United Nations organs, including UNCTAD, for consideration and appropriate action at the earliest opportunity, including consideration of the appointment of a group of governmental experts for examination of the issues involved. They should also be brought to the attention of other interested international organizations and, through their respective Governments, to non-governmental organizations concerned with private investment;*

6. *Expresses the hope that progress can be expedited in the study undertaken by the International Bank for Reconstruction and Development (IBRD) on multilateral investment insurance and requests the Secretary-General of UNCTAD to invite IBRD to submit a progress report and any other relevant material which the Bank considers it appropriate to release to the third session of the Committee on Invisibles and Financing related to Trade.*

*79th plenary meeting,
28 March 1968*

PROBLEMS OF DEVELOPING COUNTRIES IN REGARD TO INVISIBLES INCLUDING SHIPPING (Agenda item 13)

RESOLUTIONS

2 (II). *Establishment of consultation machinery in the field of shipping*⁴⁹

The United Nations Conference on Trade and Development, Recalling the "Common Measure of Understanding on Shipping Questions" (Annex A.IV.22⁵⁰ of the Final Act

of the first session of the Conference) in which it was agreed that effective machinery should be established for consultation between the liner conference and the shippers' organizations serving each country,

Endorsing the resolution adopted by the Committee on Shipping at its 25th meeting on 24 February 1967,⁵¹ and endorsed by the Trade and Development Board at its fifth session,⁵² inviting the Governments of the developing countries to encourage the establishment of consultation machinery in accordance with the special needs and requirements of individual countries and also inviting the Governments of countries with experience in such consultation to co-operate with the Governments of the developing countries in the establishment of shippers' councils or equivalent bodies and consultation machinery and further drawing the attention of the Governments of the developing countries to the possibility of obtaining technical assistance and guidance regarding the establishment of shippers' councils and consultation machinery from the United Nations,

Noticing that the progress made in this direction has not been appreciable,

Recognizing that consultation between shippers and shipowners is essential, in their mutual interest,

Considering the necessity of tariffs and other relevant notices being made available freely to all concerned in order to enable meaningful consultation,

*Appreciating the secretariat's exhaustive report on *Consultation in Shipping*,⁵³*

Bearing in mind the role that the regional economic commissions can play in the field of shipping and their close and continuing awareness of the conditions and problems related thereto in their respective regions (TD/66/Supp. 1),

Recommends:

1. That the Governments of member States of UNCTAD should urge liner conferences and equivalent organizations, directly or through the shipowners members of them:

(a) *To recognize shippers' councils or equivalent bodies and co-operate in the establishment and effective functioning of appropriate consultation machinery according to the special needs and requirements of each country or group of countries;*

(b) *To make suitable arrangements for authoritative representation in the countries or groups of countries having consultation machinery and to hold prompt and regular consultation;*

(c) *To make provisions in their constitution or working arrangements to the effect that they will discuss with shippers' councils or equivalent bodies questions pertaining to freight rates, conference practices, adequacy of shipping services, and other matters of common interest*

⁴⁸ United Nations publication, Sales No.: 67.II.D.17.

⁴⁹ The Conference adopted this resolution unanimously.

⁵⁰ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 54 and 55.

⁵¹ See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 2, annex I (a)*.

⁵² See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14, part one, para. 135*.

⁵³ TD/B/C.4/20/Rev.1 (United Nations publication, Sales No.: 68.II.D.1) and TD/13 and Supp. 1.

within the consultation machinery of the country or group of countries concerned;

(d) To make their tariffs and other relevant notices on request available freely to all interested parties, as well as to the UNCTAD secretariat in so far as such information is required in relation to studies contained in the UNCTAD work programme;

2. That the UNCTAD secretariat provide, within available resources and consistent with paragraphs 6 and 7 of the resolution of the Committee on Shipping dated 24 February 1967⁵⁴ and within the framework of the United Nations Development Programme and the United Nations regular programme of technical assistance and in co-operation with the regional economic commissions, substantive support and guidance with respect to member countries' requests for technical assistance towards the establishment and effective administrative and technical operation of consultation machinery and shippers' councils, and also, where appropriate, advise Governments;

3. That the Governments of member States of UNCTAD should, whenever they consider it necessary, inform the UNCTAD secretariat and the appropriate regional economic commission of their experiences in the establishment and functioning of the aforesaid consultation machinery and request the circulation of this information by the UNCTAD secretariat to all member States of UNCTAD.

*69th plenary meeting,
22 March 1968*

3 (II). Freight rates and conference practices⁵⁵

The United Nations Conference on Trade and Development,

Noting the great importance of freight rates and conference practices to the trade of the developing countries, and recognizing the value of effective consultation procedure in this context wherever consultation machinery exists,

Taking realistic account of the commercial needs of shippers, shipowners and other parties concerned, and

Welcoming the progress report of the UNCTAD secretariat on this item,⁵⁶

1. Recommends that the Governments of States members of UNCTAD, particularly of those developed maritime nations whose shipowners have a predominant participation in the liner conferences, invite the conferences and equivalent organizations, directly or through the shipowners members of them, to take into account the following areas of possible action:

(a) To review and adjust, if necessary, freight rates which shippers and other interested parties of developing countries consider to be high, bearing in mind the importance of as low a level of freight rates for the traditional

exports of developing countries as is commercially possible;

(b) To provide special freight rates for non-traditional exports in order to promote the expansion of the trade of developing countries, subject to the provision in subparagraph (a);

(c) To avoid freight rates set at levels which cannot be justified by the normal criteria for freight rate structures, and also conference practices, which will have the effect of frustrating the export of a product from a developing country in order to encourage the export of the same product from another country served by the same conference, subject to the provision in subparagraph (b);

(d) To recognize port improvements, leading to a reduction in the costs of shipping operations, for the purpose of reviewing and adjusting freight rates as appropriate;

(e) To make suitable arrangements for authoritative representation of the liner conferences in the ports of developing countries served by them;

(f) To make their tariffs and other relevant notices on request available freely to all interested parties;

2. Invites the UNCTAD secretariat within available resources to pursue the programme of work relating to freight rates, conference practices and adequacy of shipping services and the feasibility of constructing on a regular basis an index of liner freight rates;

3. Suggests that additional studies regarding freight rates in respect of important primary products, especially any product constituting a major export of a developing country or facing severely depressed market conditions, and also in respect of selected manufactured and semi-manufactured products, be undertaken by the UNCTAD secretariat, consistent with the resources of that secretariat and with due regard to the availability of suitable data, so as to secure a representative sample of products of interest to the developing countries;

4. Further suggests that Governments of States members of UNCTAD within their legal limitations in matters of this kind:

(a) Co-operate with the UNCTAD secretariat by providing information relevant to the programme of work;

(b) Invite shipowners, conferences, shippers and other commercial interests also to co-operate with the UNCTAD secretariat by providing information relevant to this programme of work directly through appropriate private channels, or in such other way as their Government requires;

5. Recommends that the Governments of States members of UNCTAD invite liner conferences and equivalent organizations, directly or through the shipowners members of them, to admit as full members the national flag lines of the developing countries to conferences covering the foreign trade of the developing countries concerned, subject to the rights and obligations of full conference membership.

*69th plenary meeting,
22 March 1968*

⁵⁴ See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 2, annex I (a)*.

⁵⁵ The Conference adopted this resolution unanimously.

⁵⁶ TD/25 and Corr.1, TD/25/Supp. I. and Rev.1, TD/25/Supp. 2 and Rev.1, TD/25/Supp. 3, TD/25/Supp. 4.

4 (II). *Terms of shipment*⁵⁷

The United Nations Conference on Trade and Development,

Considering the relevance of the pattern of sales and purchase contracts for the trade and shipping interests of developing countries,

Recommends:

1. That the UNCTAD secretariat should undertake, in consultation with competent bodies of the United Nations and other international and inter-governmental institutions concerned and within available resources, a study to assess the impact on the trade and shipping of developing countries of the c.i.f., f.o.b. and related terms used in contracts and giving sellers and purchasers a greater or lesser influence over the maritime transportation on the basis of a sample of imports and exports of developing countries;

2. That this study should be submitted to the third session of the Committee on Shipping and a progress report on all its aspects should be submitted to the next regular session of the Trade and Development Board.

*69th plenary meeting,
22 March 1968*

5 (II). *Regular sessions
of the Committee on Shipping*⁵⁸

The United Nations Conference on Trade and Development,

Taking note of the review presented by the UNCTAD secretariat,⁵⁹ and noting furthermore that the first review to be prepared in accordance with the outline approved by the Committee on Shipping at its second session⁶⁰ will be presented to the Committee at its third session,

Considering, on the one hand, that many of the statistics relating to shipping are compiled on a calendar year basis and are not available until early in the following year and that, on the other hand, it is desirable that the review published annually for the Committee on Shipping should be as up-to-date as possible,

Considering that consequently the UNCTAD secretariat would not be in a position to submit an up-to-date review to the Committee on Shipping before February of each year,

Suggests to the Trade and Development Board that it may therefore wish to arrange for the regular sessions of the Committee on Shipping to be held not earlier than March of each year.

*69th plenary meeting,
22 March 1968*

6 (II). *Substantive support for
technical assistance*⁶¹

The United Nations Conference on Trade and Development,

Taking note of the measures adopted by the Secretary-General of the United Nations to avoid duplication in shipping matters described in document TD/66/Supp.1,

Aware of the advantages to be derived from the integration of substantive support for technical assistance with research on shipping and ports,

1. *Welcomes* the concentration of research on shipping and ports within the UNCTAD secretariat and the transfer of substantive support for technical assistance from the Department of Economic and Social Affairs to UNCTAD;

2. *Emphasizes* the importance of the uninterrupted continuation of substantive support for technical assistance projects without prejudice to the progress of other aspects of the work programme drawn up by the Committee on Shipping;

3. *Recommends* that the usual administrative steps should be taken through the appropriate bodies of the United Nations to enable the UNCTAD secretariat to fulfil its tasks, as set forth in document TD/66/Supp.1.

*69th plenary meeting,
22 March 1968*

7 (II). *Development of ports*⁶²

The United Nations Conference on Trade and Development,

Bearing in mind the "Common Measure of Understanding on Shipping Questions" (Annex A.IV.22)⁶³ to the Final Act of the first session of the Conference which emphasized the possibilities of reducing the total cost of transportation by improving existing and establishing new port facilities and which recommended to this end that international financing and aid and technical assistance be made available on favourable terms,

Noting the continuing work being carried out by the UNCTAD secretariat in respect to ports as reflected in document TD/B/C.4/23,

Convinced of the urgent need for practical measures for providing finance and technical assistance to developing countries for port development and modernization, taking into account technical advances in shipping,

Recognizing that both shippers and shipowners have a common interest in port development and that the advantages flowing from port improvement accrue to all,

Appreciating that the limited financial resources of the developing countries may not permit adequate investments from their internal resources for the improvement of their ports,

⁵⁷ The Conference adopted this resolution unanimously.

⁵⁸ *Idem*.

⁵⁹ TD/31 and Corr.1 and Add.1.

⁶⁰ TD/B/C.4/24.

⁶¹ The Conference adopted this resolution unanimously.

⁶² The Conference adopted this resolution unanimously.

⁶³ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.ILB.11), pp. 54 and 55.

Believing that due attention should be given to projects designed to improve or develop existing port and harbour facilities, including dredging services, so as to ensure quicker turn-round of ships and to meet the needs of technological changes in shipping,

Reiterating the need to take into consideration port improvements leading to reductions in the costs of shipping operations, when reviewing freight rates and adjusting them as appropriate,

1. *Recommends* that:

(a) The Governments of developed countries member States of UNCTAD, directly or through international and regional financing institutions, give favourable consideration to requests from the developing countries for assistance in connexion with the expeditious development and modernization of ports and related inland transportation facilities in the developing countries;

(b) Financial assistance for port and harbour developments, including dredging equipment, should be made available on favourable terms and conditions as envisaged in the recommendation in Annex A.IV.22, paragraph 2, of the Final Act of the first session of the Conference, and on as generous terms as circumstances permit;

(c) Priority should be given by developing countries in requesting, and appropriate international agencies should give all due consideration in granting, technical and financial assistance for port improvement schemes which can be implemented without much capital expenditure;

(d) The UNCTAD secretariat should provide, within available resources and within the framework of the United Nations Development Programme and the United Nations regular programme of technical assistance, and as appropriate in co-operation with the regional economic commissions, substantive support and guidance to the agencies concerned, with respect to the requests of member States for technical assistance towards the preparation of long-term plans for the development and modernization of ports of the developing countries, those plans being based on the selective development of ports in each country or region, keeping in view their current and future needs and technological changes;

(e) That within available resources the UNCTAD secretariat, taking account of related work already accomplished or being done elsewhere, should undertake studies on the following subjects:

(i) The impact of technological changes in shipping on future traffic trends and matching port facilities in the developing countries, and in particular of unitization of cargoes, including palletization and containerization;

(ii) The dredging requirements in developing countries having regard to the need for quick turn-round of vessels;

(iii) Existing facilities for the training of personnel in the economics of port operation and techniques of port management and administration and, in consultation with other inter-governmental and international bodies concerned, including the regional economic commissions, proposals for such additional training programmes as may be required by developing countries;

(iv) The impact on freight rates of the operation of selected ports in developed countries;

2. *Recommends further* that Governments of States members of UNCTAD invite liner conferences and equivalent organizations, directly or through the ship-owners members of them, to take into account:

(a) The need for co-operation with port authorities in developing countries in effective use of port improvements;

(b) Port improvements, leading to a reduction in the costs of shipping operations, for the purpose of reviewing the adjusting freight rates as appropriate.

69th plenary meeting,
22 March 1968

8 (II). *Tourism* ⁶⁴

The United Nations Conference on Trade and Development,

Fully aware of the significant role that international tourism can play in the economic, cultural, social and educational fields and of its contribution to better understanding among peoples,

Recalling the recommendations made by the United Nations Conference on International Travel and Tourism (Rome, 1963), ⁶⁵ and the recommendation in Annex A.IV.24 ⁶⁶ of the Final Act of the first session of the Conference on measures for increasing the receipts of developing countries from tourism, which was adopted by the Conference without dissent,

Convinced that earnings from tourism have a potential to contribute substantially to the improvement of the balance of payments and to the economic growth of developing countries,

Welcoming the growing interest in the role of tourism in the economies of developing countries displayed by the regional economic commissions, the relevant specialized agencies and other bodies of the United Nations, and the various other international organizations concerned with tourism,

Recognizing the fact that the development of tourism is closely linked with reductions of air fares, and bearing in mind the potential substantial increase in the volume of passenger traffic with the introduction of high capacity and faster aircraft,

Taking note of the progress report of the UNCTAD secretariat ⁶⁷ and of the report on cultural tourism submitted by the secretariat of the United Nations Educational, Scientific and Cultural Organization. ⁶⁸

Recalling the message from the President of the International Union of Official Travel Organizations (IUOTO)

⁶⁴ The Conference adopted this resolution unanimously.

⁶⁵ See *Final Report of the United Nations Conference on International Travel and Tourism* (E/3839).

⁶⁶ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.ILB.111), pp. 55 and 56.

⁶⁷ TD/24 and Add.I.

⁶⁸ TD/45.

in which he informed the Conference that his organization may shortly become an inter-governmental organization,

1. *Recommends* that Governments of States members of UNCTAD give due consideration to tourist development in their national plans and programmes;

2. *Invites* the Governments of States members of UNCTAD, the permanent institutions of UNCTAD, the regional economic commissions, the relevant specialized agencies and other bodies of the United Nations, and the various other international, governmental and non-governmental organizations, such as the IUOTO, concerned with tourism, as appropriate, to consider urgent co-ordinated action, paying due attention to the need to eliminate the duplication of work, in the following areas of significance to developing countries:

(a) The continuing collection of statistical data and other information required;

(b) The reduction of travel formalities between countries, particularly those affecting travel to developing countries;

(c) The studies of the different specialized aspects of the development and promotion of tourism;

(d) Technical and financial assistance for pre-investment and market surveys; as well as for directing the implementation of tourist development projects;

(e) Technical and financial assistance including grants and credits on easy terms where appropriate, for specialized tourist services, particularly the hotel industry, and for building the infrastructure vital for the development of tourism;

(f) The training of personnel in the fields of planning tourist facilities, catering and hotel management, the establishment and management of resort centres and publicity and promotion;

(g) Co-operation between developed and developing countries to encourage interregional travel to developing countries;

(h) The provision of special passenger tariffs and other facilities for the expansion of tourist traffic, particularly to developing countries;

3. *Invites* the Governments and the various bodies referred to in paragraph 2 of this resolution to consider what studies might be undertaken by an appropriate body on the following:

(a) The relationship of air and maritime fares to the growth of international travel, particularly to developing countries;

(b) The possibility of reducing, as far as is commercially feasible, the cost of air travel, taking into account the exploitation of technological development in the civil aviation industry, the wide use of special and creative fares, and other appropriate means;

4. *Urges*:

(a) Governments of developed countries which are States members of UNCTAD to endeavour to avoid exchange restrictions on tourism and, where they exist, to remove them as soon as is practicable, and in other ways to facilitate the travel of their residents to developing countries;

(b) Governments of developing countries to bear in mind the importance of creating favourable conditions for the development of their tourist industries;

(c) Governments of States members of UNCTAD to recognize tourism as a development industry and to pay due regard to the recommendations of the United Nations Conference on International Travel and Tourism (Rome, 1963).

69th plenary meeting,
22 March 1968

12 (II). *Development of merchant marines of developing countries*⁶⁹

The United Nations Conference on Trade and Development,

Considering that the establishment and expansion of merchant marines in many developing countries could make a substantial contribution to the development of different sectors of the economies of these countries and, in particular, to the improvement of their balances of payments,

Recalling the "Common Measure of Understanding on Shipping Questions" (annex A.IV.22⁷⁰ to the Final Act of the first session of the Conference),

1. *Reaffirms* the right of all countries to establish or to expand their national merchant marines;

2. *Welcomes* the valuable preliminary report by the UNCTAD secretariat on the establishment or expansion of merchant marines in developing countries (TD/26 and Supp.1);

3. *Notes* the document by the UNCTAD secretariat entitled "Training of personnel in the economics and management of shipping",⁷¹

4. *Invites* the Governments of developed countries, States members of UNCTAD, directly or through international and regional financial institutions, to give close and sympathetic consideration to requests from the developing countries for assistance in connexion with the establishment or expansion of national merchant marines within the framework of development plans or policies of the developing countries concerned;

5. *Further invites* the Governments of developed countries, States members of UNCTAD, particularly of the maritime nations, to consider the following proposals, submitted by the developing countries for early action, and to make known the results of this consideration at the third regular session of the Committee on Shipping:

(a) (i) New ships should be sold to the developing countries on deferred payment terms involving repayment after the delivery of the vessels in not less than ten years, with a suitable period of grace, and at a low rate of interest;

⁶⁹ The Conference adopted this resolution unanimously.

⁷⁰ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report*, (United Nations publication, Sales No.: 64.II.B.11), pp. 54 and 55.

⁷¹ TD/II/C.4/2.

(ii) Suitable second-hand vessels should be sold to the developing countries on deferred payment terms extending up to eight years;

(iii) *a.* Guarantees given by the national financial institutions of the developing countries should be accepted as adequate cover for the deferred portion of payments for vessels, both new and second-hand, purchased by developing countries;

b. Arrangements should be made for financing the sale of second-hand ships to developing countries on deferred terms;

(*b*) Governments of developed countries and international agencies should provide financial support to encourage shipbuilding industries in developing countries, including the export of the products of these industries;

6. *Suggests* that the developing countries should examine the feasibility of establishing regional or sub-regional merchant fleets or merchant fleets of groups of countries;

7. *Recommends* that, bearing in mind the provisions of UNCTAD resolution 1(II) of 21 March 1968, the Secretary-General of the United Nations and the Administrator of the United Nations Development Programme, within available resources, should take appropriate steps to consider the provision of the needed training in the economics and management of shipping;

8. *Further recommends* that paragraphs 4 and 5 of the text included in paragraph 63 of the report of the Fourth Committee⁷² be drawn to the attention of the Committee on Shipping of the Trade and Development Board.

*74th plenary meeting,
24 March 1968*

13 (II). Insurance⁷³

The United Nations Conference on Trade and Development,

Taking note of the work already undertaken in the field of insurance and reinsurance by the appropriate bodies of UNCTAD including:

(*a*) The recommendation on insurance and reinsurance in Annex A.IV.23⁷⁴ to the Final Act adopted by the Conference at its first session;

(*b*) The progress report of the UNCTAD secretariat⁷⁵ and the report of the Secretary-General of the United Nations,⁷⁶ and

(*c*) The recommendations of the Expert Group on Reinsurance⁷⁷ and the resolution adopted by the Committee on Invisibles and Financing related to Trade on

the report⁷⁸ and noted by the Trade and Development Board at its fifth session,⁷⁹

Considering the role that insurance and reinsurance can play in assisting the process of economic development, through the services provided to industry, agriculture and other sectors, as well as to individuals,

Reaffirming the importance of establishing and strengthening insurance and reinsurance markets in developing countries so that they can contribute most effectively to economic development and growth and to the strengthening of their balance of payments,

Noting the continuing programme of work of the secretariat in this field,

Further noting the discussions on insurance and reinsurance which took place in the Fourth Committee of the second session of the Conference,

Recommends that:

(*a*) Insurers and reinsurers should provide insurance and reinsurance facilities to developing countries at the lowest cost commensurate with the risks involved;

(*b*) Developed countries should continue to help the developing countries in:

(i) Encouraging and strengthening their national insurance and reinsurance markets;

(ii) Research into insurance problems, giving priority to the questions raised at the first session of the Conference which are indicated in Annex A.IV.23 of the Final Act; and

(iii) The training of insurance personnel;

(*c*) Wide publicity should be given by the countries concerned to such arrangements as are indicated in the foregoing paragraphs which have already been successfully adopted or implemented by developing countries;

(*d*) The records of the Fourth Committee of the second session of the Conference relating to insurance and reinsurance be forwarded for consideration at the third session of the Committee on Invisibles and Financing related to Trade, inviting it to pay due attention to those points which have proved at the second session of the Conference to be of special interest to the developing countries.

*74th plenary meeting,
24 March 1968*

14 (II). International legislation on shipping⁸⁰

The United Nations Conference on Trade and Development,

Affirming that legal matters related to the commercial and economic aspects of maritime law are fully within the

⁷² The report of the Fourth Committee appears in annex VII.

⁷³ The Conference adopted this resolution unanimously.

⁷⁴ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.ILB.11), p. 55.

⁷⁵ TD/24.

⁷⁶ TD/24/Add.1.

⁷⁷ TD/B/C.3/29.

⁷⁸ See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 3*, annex I.

⁷⁹ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, para. 114.

⁸⁰ The Conference adopted this resolution by a roll-call vote of 73 in favour, 19 against and 5 abstentions. The result of the vote was:
In favour: Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Bulgaria, Burma, Byelorussian Soviet Socialist Republic, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Cuba, Czechoslovakia, Ecuador, Ethiopia, Gabon,

purview of UNCTAD, which is vitally concerned with them, as they affect the international trade of the developing countries,

Recognizing the basic concept that the law must take note of the changing needs of society,

Observing that the existing international legislation on shipping does not cover many important economic and commercial aspects of maritime activity.

Convinced of the need for an early review of some areas of the existing international legislation concerned with commercial and economic aspects of shipping;

Commending the role played so far by several international organizations in this field, and welcoming the establishment of the United Nations Commission on International Trade Law (UNCITRAL),

Noting that UNCITRAL has not included shipping legislation in its present work programme,

1. *Recommends:*

(a) That the Trade and Development Board instruct the Committee on Shipping of UNCTAD to create a Working Group on International Shipping Legislation, from among the member States, to operate along the following lines:

(i) The Working Group should review commercial and economic aspects of international legislation on shipping in order to identify areas where modifications are needed and to give recommendations concerning new legislation which has to be drafted;

(ii) The Committee on Shipping, upon recommendation of the Working Group, may ask UNCITRAL to take up the work of drafting new conventions on the subjects identified by the Working Group and also to set up a special subsidiary body for the purpose of such drafting, and

(iii) If it should appear that UNCITRAL is not able to draft the required legislation according to the time schedule requested by the Committee on Shipping, that Committee should consider other steps to finalize the drafting;

(b) That the following subjects, among others, should be taken up for drafting appropriate conventions or for revising existing legislation:

(i) Charter parties;

(ii) Marine insurance, and

Ghana, Guatemala, Guinea, Guyana, Hungary, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Kenya, Kuwait, Lebanon, Lesotho, Libya, Madagascar, Malawi, Malaysia, Mali, Mauritania, Mexico, Mongolia, Nepal, Nigeria, Pakistan, Peru, Philippines, Poland, Republic of Korea, Republic of Viet-Nam, Romania, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Sudan, Syria, Togo, Trinidad and Tobago, Tunisia, Turkey, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia, Zambia.

Against: Australia, Belgium, Canada, Denmark, Federal Republic of Germany, Finland, France, Greece, Ireland, Italy, Japan, Netherlands, Norway, South Africa, Spain, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: Austria, China, Holy See, Israel, New Zealand.

(iii) Amendments to the International Convention for the Unification of Certain Rules of Law relating to Bills of Lading, 1924;

(c) That the Working Group should examine the feasibility of drafting a general instrument (convention or agreement) on maritime transportation and development, dealing with international relations in shipping, for the consideration by an international conference to be convened under the auspices of the United Nations;

2. *Requests:*

(a) The UNCTAD secretariat, in co-operation with other international bodies wherever feasible, to undertake immediate and intensive studies on the subjects mentioned in paragraphs 1(b) and 1(c) above as background material for the Working Group;

(b) The UNCTAD secretariat and other inter-governmental bodies responsible for international legislation to arrange for a review of progress made by member States in the implementation of such international legislation as may result from the work of the Committee on Shipping in this field.

76th plenary meeting,
25 March 1968

TRADE EXPANSION AND ECONOMIC INTEGRATION AMONG DEVELOPING COUNTRIES, MEASURES TO BE TAKEN BY DEVELOPING AND DEVELOPED COUNTRIES — INCLUDING REGIONAL, SUB-REGIONAL AND INTER-REGIONAL ARRANGEMENTS (Agenda item 14)

DECLARATION

23 (II). *Concerted declaration on trade expansion, economic co-operation and regional integration among developing countries.*⁸¹

1. The countries participating in the second session of the United Nations Conference on Trade and Development (hereinafter called "the Conference") reaffirm that trade expansion, economic co-operation and integration among developing countries is an important element of an international development strategy and would make an essential contribution towards their economic development.

2. The Conference recognizes that the expansion of the mutual trade of developing countries and the creation of multinational markets among them would in many cases stimulate the establishment of new industries and the more economic use of existing productive capacity and would favour diversification and specialization of the production and exports of developing countries, both agricultural and industrial, by enlarging both the range of exportable goods and the market opportunities for them. This would in turn contribute to enhancing the efficiency of production and the competitive position of developing countries' exports.

3. It is recognized that the responsibility for instituting schemes for regional integration among developing coun-

⁸¹ The Conference adopted this declaration without dissent.

tries, or measures of trade expansion among them, rests in the first instance with the developing countries themselves.

4. It is further recognized that valuable progress in the development of trade expansion and regional economic co-operation schemes among developing countries has already been achieved and is being continued, as is evidenced by statements of the countries and the regional bodies concerned.

5. The Conference agrees that trade expansion and economic co-operation among developing countries can in no way be regarded as lessening the need for opportunities for increased exports to developed countries or for a greater contribution by the latter countries. Effective measures should be undertaken in both of these fields.

6. The Conference recognizes that the special conditions of a number of developing countries, and their geographical, economic and political situations, justify diversity in their choice of methods for trade expansion and economic co-operation, and often warrant a step-by-step approach in integration. They also recognize that the expansion of trade and economic co-operation among developing countries pose special problems and encounter particular difficulties which must be taken into account. These difficulties include the inadequacy of infra-structure in the field of transport and communications; the traditional orientation of the trading and financial structures of developing countries towards trade with developed countries; differences in the level of development among the countries concerned and the problems that trade liberalization commitments may entail for their balances of payments, for customs receipts and for existing domestic production; the relative weakness of their enterprises, of their financial systems and of their foreign exchange reserves. All these and other factors make it necessary to adopt flexible measures adapted to individual situations. The supporting action that the developed countries are determined to provide for efforts for trade expansion and economic co-operation among developing countries must consequently also be diversified and adapted to individual situations.

7. The Conference recognizes that the availability of appropriate external finance and technical assistance from developed countries and international institutions would enable developing countries to overcome more easily difficulties of the type mentioned above, and to achieve a more rapid progress in trade expansion and integration and would contribute to the special efforts that the developing countries are making at present.

8. In this regard, the Conference also recognizes that further work will need to be done within the institutional framework of UNCTAD to determine the precise fields which could receive assistance.

9. The Conference recognizes that the developing countries will need technical assistance from the developed countries as well as from international institutions concerning, *inter alia*, the various practical problems arising in negotiations for trade expansion and economic integration among developing countries; the preparation of multinational projects in the fields of transport, communications, energy, productive activities, manpower development, natural resources surveys; the establishment of export industries and trade promotion programmes geared

to the markets of other developing countries. The Conference also recognizes that where appropriate, arrangements should be made to enable skilled and experienced experts from developing countries to be made available to other developing countries.

Statement of intent by the developing countries

10. Aware of the potential of trade expansion and economic integration among themselves, a large majority of developing countries participate at present in different types of schemes in Africa, Asia and Latin America and have informed the Conference of the progress they have made, the difficulties they are encountering as well as the future action they intend.

11. In Africa, new treaties have recently entered into force relating to the Central African Customs and Economic Union, the East African Community and the West African Customs Union. Within the *Conseil de l'Entente* and the Afro-Malagasy Common Services Organization, commitments relating to specific questions have recently become operative. Among the Maghreb countries, regional projects have been implemented and specific targets for arrangements regarding trade, industry and institutions have been set with a view to the conclusion of a treaty. The Inter-State Committee of the Senegal River Basin is extending its activities beyond river basin development. Finally, in East Africa and West Africa, countries are engaged in a process to enlarge the geographical framework of co-operation beyond the presently existing arrangements.

12. In Latin America, the Central American Common Market and the Latin American Free Trade Association continue to implement their treaties and have embarked upon a process that is intended to lead to a Latin American Common Market covering the existing groupings as well as those countries in the area which are not at present participants. In the Caribbean area, and among the Andean countries, efforts to form sub-regional groupings are being pursued.

13. In Asia, the countries belonging to the Regional Co-operation for Development arrangement and to the Association of South-East Asia are determined to broaden their co-operation. In the Middle East, the decision to form an Arab Common Market is being implemented by the countries concerned.

14. One interregional multilateral agreement for trade expansion and economic co-operation has recently been concluded between India, United Arab Republic and Yugoslavia and is open for participation to all other developing countries.

15. Finally, a large number of developing countries have expressed their willingness to participate, within a framework jointly serviced by the General Agreement on Tariffs and Trade and UNCTAD, in multilateral trade negotiations with a view to reducing their mutual trade barriers.

16. In order to ensure that trade and expansion, economic co-operation and integration have the desired effect of accelerating development in accordance with the considerations made in the preamble to this declaration, the developing countries state their determination to make all

efforts, between now and the third session of the Conference, to negotiate or put into effect further meaningful commitments among themselves within the frameworks of their choice. These commitments will be adapted to the different circumstances existing in the various parts of the developing world.

Declaration of support by the developed market-economy countries

General

17. The developed market-economy countries welcome the intention of developing countries to conclude arrangements among themselves aimed at promoting economic growth and expanding their mutual trade. Developed market-economy countries share the belief that trade expansion and intensified economic co-operation between developing countries should make an important contribution towards their development. They further believe that efforts in this direction which foster a rational and outward-looking expansion of production and trade, and avoid undue injury to the trading interests of third parties, including third developing countries, would contribute in the long run to the expansion of world trade and should promote more effective use of the resources available for development.

18. The developed market-economy countries declare their general readiness to support initiatives of the developing countries to increase their trade and strengthen their economic co-operation along the lines indicated in the preceding paragraph and specifically to consider what help they can give to any concrete proposals that may be put forward. Such help can take the form of action in the field of commercial policy as well as financial aid and technical assistance.

Commercial policy

19. The developed market-economy countries are ready, after examination and consultation within the appropriate international framework, to support particular trading arrangements among developing countries which are consistent with the objectives set out above. This support could include their acceptance of derogations from existing international trading obligations, including appropriate waivers of their rights to most-favoured-nation treatment.

Financial and technical assistance

20. The developed market-economy countries are prepared to support, in the allocation of their financial and technical assistance, initiatives in regional co-operation instituted by the developing countries. The allocation of such assistance by developed market-economy countries, within the framework of their individual aid policies and programmes, will depend on the merits of each proposition, particularly its scope and its potential impact on the development process, as well as the priority which the developing countries concerned attach to it. Such measures might include:

In the field of financial aid: assistance to financial institutions embracing groups of developing countries, including regional and sub-regional development banks; financial assistance in the planning and implementation

of regional projects; interim support for the needs of developing countries arising from obligations which they have undertaken in connexion with their participation in arrangements for regional co-operation or integration; assistance to infrastructure projects related to regional integration; assistance to help the less-advanced areas of a particular group to share in its benefits;

In the field of technical assistance: provision of assistance in the planning and implementation of regional projects including regional infrastructure projects; the loan of experienced and well-qualified experts; the training of personnel from developing countries; provision of assistance in the field of trade promotion; and exchange of information about developed countries' experiences as regards regional co-operation.

Declaration of support by the socialist countries of Eastern Europe on the question of the expansion of trade and economic co-operation among developing countries

21. The socialist countries view with understanding and sympathy the efforts of the developing countries with regard to the expansion of trade and economic co-operation among themselves and, following the appropriate principles by which the socialist countries are guided in that respect, they are ready to extend their support to the developing countries.

Future programme of work and institutional arrangements

22. As the expansion of trade and economic co-operation and integration among developing countries are considered by all the countries participating in the Conference as essential elements in the development strategy, it is important that these questions should be dealt with on a continuing basis by the international community which should provide the developing countries with support and encouragement in such efforts. The competence of UNCTAD to play an important role in this field by providing support and encouragement and by undertaking periodic reviews of the progress achieved, is recognized by all the participating countries.

23. The Conference agrees that appropriate institutional arrangements for continuing work on this subject on a permanent basis within the UNCTAD framework should be set up before the end of 1968. It accordingly requests the Trade and Development Board, in the light of the report of the Conference⁸² and of the report of Working Group II,⁸³ and in particular of this Concerted Declaration, and taking into consideration the relevant provisions of the Charter of Algiers⁸⁴ and the activities of other bodies, to examine this question and to determine the necessary arrangements for further work along the above lines.

24. The Conference also invites the Secretary-General of UNCTAD to prepare the necessary documentation to assist the Board in its consideration of the matter.

*77th plenary meeting,
26 March 1968*

⁸² TD/97.

⁸³ The report of working Group II appears in annex VII.

⁸⁴ TD/38.

SPECIAL MEASURES TO BE TAKEN IN FAVOUR OF THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES AIMED AT EXPANDING THEIR TRADE AND IMPROVING THEIR ECONOMIC AND SOCIAL DEVELOPMENT
(Agenda item 15)

RESOLUTION

24 (II). *Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development*⁸⁵

The United Nations Conference on Trade and Development,

Recognizing the differing characteristics and stages of development of developing countries and recalling the Final Act of the first session of the Conference,⁸⁶

Further recognizing the special problems that confront the least developed amongst the developing countries in their efforts to accelerate their economic and social improvement and aware of the need to provide effective and concrete measures that can ensure their sustained economic growth and enhance the ability of the least developed countries to benefit fully from the general measures in favour of all developing countries,

Accepting that such measures should be adapted to the particular situations and specific problems of these countries,

Taking note of the Charter of Algiers and its annex II⁸⁷ and of the special measures which could be taken as outlined in the documents of the UNCTAD secretariat,

Convinced that the international community, when embarking upon a policy of co-operation for development, should pay due attention to the special handicaps of the least developed countries with the object of removing their disabilities,

Recognizing that it is necessary to study further and to elaborate the detailed measures which could be taken in this regard within the various fields of activity of the UNCTAD and other organs of the United Nations and of other international organizations,

Having agreed that it should not be the objective of any special measures taken in favour of the least advanced developing countries to create discrimination among the developing countries but to ensure due benefits for the least developed among them so that all developing countries can gain equitable benefits,

Affirming the need to pay particular attention to the least developed countries in measures and concrete decisions emanating from UNCTAD and other organizations of the United Nations system concerned with the problems of economic development,

Further affirming that special support should be given by States members of UNCTAD, the international institu-

tions and the regional economic commissions to the least developed countries so as to ensure their active participation in world trade and development, including regional and sub-regional industrial development,

1. *Recommends* that special measures be devised, within a global strategy, of convergent measures in order to enable the least developed among the developing countries to derive equitable benefits so that all the developing countries are enabled to gain comparable results from the co-operation of member States of UNCTAD, particularly the co-operation between developing and developed countries. The possibilities of devising such measures in relation to both developed market-economy and socialist countries, and in accordance with the practices of these countries' particular economic systems, should be examined in the following spheres among others:

- (a) Commodity policy;
- (b) Manufactures and semi-manufactures;
- (c) Development finance;
- (d) Regional economic integration;
- (e) Invisibles and shipping;
- (f) Trade promotion;
- (g) Special technical and financial assistance.

2. *Invites* the international bodies responsible for particular measures designed to benefit developing countries generally, whenever possible, to design the form of, and elaborate on, the special measures which might be taken in favour of the least developed countries and to identify such countries in the context of each measure concerned, taking fully into account the identifying criteria relevant to the policy measure in question;

3. *Requests:*

(a) The Trade and Development Board and its subsidiary organs to bear in mind in all their activities, studies and decisions the special needs of the least advanced among the developing countries and to keep this question under review on a continuing basis;

(b) The Secretary-General of UNCTAD to undertake studies of different aspects of the special problems of least developed countries with a view to devising effective measures that would enable these countries to benefit fully from measures undertaken within the UNCTAD programme and framework;

(c) The Secretary-General of UNCTAD to continue studies relative to the identification of least developed countries and to examine the various approaches to this problem taking into consideration the recommendations and the report of the Conference⁸⁸ and the work undertaken by the regional economic commissions and the invitation in paragraph 2 above with the object of suggesting practical guidelines to be followed in the process of identification;

4. *Invites:*

(a) Other organs of the United Nations, as well as other international organizations whose activities may have a bearing on measures which can be taken to assist the least advanced of the developing countries, to pay

⁸⁵ The Conference adopted this resolution unanimously.

⁸⁶ *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

⁸⁷ TD/38 and Add.2.

⁸⁸ TD/97.

special attention in their activities to the problems of these countries and wherever possible to introduce, within the measures they may recommend or undertake in favour of developing countries as a whole, particular provisions to assist the least advanced among them;

(b) In particular the regional Economic Commission for Asia and the Far East, the Economic Commission for Latin America and the Economic Commission for Africa, to pay special attention in their work programmes to the special problems of the least developed countries of their regions, and also to undertake studies and take any other action which they consider appropriate to enable the Secretary-General of UNCTAD to suggest guidelines as in paragraph 3 (c) above;

(c) The States members of UNCTAD, the regional economic commissions and the appropriate bodies of the United Nations system to co-operate with the Secretary-General of UNCTAD by providing information relevant to the preparation of the studies mentioned in the above paragraphs;

(d) The United Nations Development Programme, the United Nations Industrial Development Organization and the international financial institutions to devote particular attention to the needs of the least developed countries in the drawing up of their programmes of assistance, and in identifying viable projects and promoting their financing.

77th plenary meeting,
26 March 1968

GENERAL REVIEW OF THE WORK OF UNCTAD (Agenda item 16)

RESOLUTIONS

1 (II). *Training of technical and special staff in the field of export promotion (marketing techniques, methods of financing, publicity) and invisible transactions, including shipping, insurance and tourism*⁸⁹

The United Nations Conference on Trade and Development,

Recalling General Assembly resolutions 2083 (XX) of 20 December 1965 and 2306 (XXII) of 13 December 1967 and Economic and Social Council resolutions 1090 A (XXXIX) of 31 July 1965 and 1274 (XLIII) of 4 August 1967, according to which the training and utilization of human resources is an essential factor in the economic and social development process and should be the subject of joint action within the United Nations family,

Considering that the expansion of the foreign trade of the developing countries, its diversification and the improvement of the methods used depend largely on the availability in those countries of qualified staff in that field,

Recalling resolution 31 (IV) of the Trade and Development Board on technical assistance in trade and in related UNCTAD fields,

Believing that the activities undertaken by the UNCTAD secretariat in accordance with the above-mentioned resolution in the field of training technical and special cadres in foreign trade, in conjunction with the activities of United Nations organs, the specialized agencies and related competent bodies, should be better defined and clarified in order to make possible an adequate response to the needs of the developing countries,

1. *Affirms* the importance, to the progress of the developing countries, of adequately trained manpower in the fields of export promotion (techniques of marketing and packaging, methods of financing, publicity, etc.) and invisibles, including shipping, insurance and tourism;

2. *Takes note* with satisfaction of the establishment of a United Nations Export Promotion Programme as decided at the meetings of the Executive Secretaries of the regional economic commissions convened by the Under-Secretary-General for Economic and Social Affairs during 1967, and in this connexion the establishment of the joint UNCTAD/GATT International Trade Centre as well as the Trade Promotion Centre in the Economic Commission for Asia and the Far East and the initiatives for trade promotion action within the Economic Commission for Africa and the Economic Commission for Latin America;

3. *Invites* the Secretary-General of the United Nations to prepare, in co-operation with the Secretary-General of UNCTAD and the executive heads of other competent organs of the United Nations, particularly the United Nations Industrial Development Organization (UNIDO), the specialized agencies concerned and related competent bodies, a programme of integrated action on the problem of vocational and technical training in the fields mentioned in paragraph 1 above, including the exchange of information on foreign trade techniques, with the object, *inter alia*, of:

(a) Defining priority objectives for the activities of the international bodies in these fields together with appropriate means of attaining those objectives;

(b) Co-ordinating and rationalizing technical assistance activities undertaken in these fields at the international level;

(c) Aiding the developing countries to obtain the necessary information about sources of assistance available in these fields both on a bilateral and multilateral basis;

4. *Invites* the Secretary-General of the United Nations, the executive heads of the specialized agencies concerned, the Administrator of the United Nations Development Programme, the Executive Director of UNIDO, the joint UNCTAD/GATT International Trade Centre and other competent bodies of the United Nations, to give all due consideration to requests from developing countries for technical assistance in the fields of training of technical and specialized staff defined in paragraph 1 above;

5. *Requests* the Secretary-General of UNCTAD to submit to the Trade and Development Board at its seventh session a progress report on the action taken in response to the present resolution.

68th plenary meeting,
21 March 1968

⁸⁹ The Conference adopted this resolution without dissent.

10 (II). *Measures to inform world public opinion of the work of UNCTAD and of the problems of development*⁹⁰

The United Nations Conference on Trade and Development,

Bearing in mind that world peace and economic progress are indivisible,

Taking into account the importance of the problems of development, as well as the great concern of the whole international community for the need to eliminate underdevelopment, which requires an adequate rate of economic growth in developing countries,

Recognizing the efforts already made by both developed and developing countries for the acceleration of the economic development of the latter,

Convinced of the necessity to mobilize further all the national resources of the developing countries, as well as of the continuing need for the support of the developed countries in the process of economic development,

Welcoming the valuable contribution rendered by the United Nations Conference on Trade and Development,

Convinced also of the importance of further enlightening world public opinion on the magnitude of the problems and of the growing gap in the level of economic development between the developed and the developing countries,

Aware of the need to create the widest possible public support in developed and developing countries for determined efforts to promote development,

Recognizing the significant role that national as well as inter-governmental and non-governmental organizations can play in that respect,

Recalling Economic and Social Council resolution 1265 (XLIII) of 3 August 1967 regarding the public information activities of the United Nations,

1. *Requests* the Secretary-General of UNCTAD within available resources to intensify the activities aimed at informing world public opinion of the objectives of UNCTAD and its efforts toward an acceleration of the development process in the developing countries as well as of the findings of the second session of the Conference;

2. *Urges* the regional economic commissions, the specialized agencies as well as the inter-governmental and non-governmental organizations participating in the work of the Conference, to inform world public opinion within their respective fields, of the continuing activities of UNCTAD;

3. *Invites* the Secretary-General of the United Nations to support these efforts through the United Nations information centres and other appropriate means at his disposal;

4. *Invites* the Governments of member States to inform public opinion of the work of UNCTAD and of the findings of the second session of the Conference in an effort to obtain greater support of the general public and various sectors of the community in developing as well as developed countries, in the pursuit of the objectives of the Conference.

*70th plenary meeting,
22 March 1968*

⁹⁰ The Conference adopted this resolution without dissent.

OTHER BUSINESS (Agenda item 18)

RESOLUTIONS⁹¹

26 (II). *Suspension of South Africa*

The United Nations Conference on Trade and Development,

Recalling that one of the essential purposes and principles of the United Nations Charter is "to achieve international co-operation in solving international problems of an economic, social, cultural or humanitarian character, and in promoting and encouraging respect for human rights and for fundamental freedoms",

Bearing in mind Chapter IX, Article 55, of the United Nations Charter concerning international economic and social co-operation, which states that "with a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, the United Nations shall promote ... universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language or religion",

Considering the important role of the United Nations Conference on Trade and Development in achieving the objectives of international co-operation set by the Charter,

Noting that the present South African régime's policy of racial discrimination, *apartheid* and colonial exploitation is in flagrant violation of the principles contained in the United Nations Charter and the Universal Declaration of Human Rights,

Recalling that because of these repugnant policies, South Africa has already been expelled from the United Nations Economic Commission for Africa and that the General Assembly has denounced *apartheid* and recommended an economic boycott of South Africa,

Considering South Africa's continued defiance of the United Nations, both in respect of the Territory of South-West Africa, the Mandate to administer which was withdrawn from South Africa on 27 October 1966 (General Assembly resolution 2145 (XXI)), and in respect of the territory of South Africa itself,

Reaffirming the belief that such régime cannot continue to participate in the United Nations and its agencies,

⁹¹ This resolution was adopted by a roll-call vote of 49 in favour, 18 against and 7 abstentions. The result of the vote was:

In favour: Afghanistan, Algeria, Barbados, Bulgaria, Byelorussian Soviet Socialist Republic, Cameroon, Central African Republic, Chile, Congo (Brazzaville), Congo (Democratic Republic of), Cuba, Czechoslovakia, Ethiopia, Ghana, Guinea, Hungary, India, Indonesia, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Libya, Malaysia, Mali, Mauritania, Mexico, Nepal, Niger, Nigeria, Pakistan, Peru, Poland, Romania, Saudi Arabia, Senegal, Sierra Leone, Sudan, Thailand, Tunisia, Uganda, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Arab Republic, United Republic of Tanzania, Venezuela, Yemen, Yugoslavia.

Against: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, South Africa, Sweden, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: Argentina, Ceylon, Colombia, Malawi, Philippines, Switzerland, Uruguay.

Recommends that General Assembly resolution 1995 (XIX) of 30 December 1964, section II, paragraph 1, should be amended as soon as possible as follows:

“The members of the United Nations Conference on Trade and Development (hereinafter referred to as the Conference) shall be those States which are Members of the United Nations or members of the specialized agencies or of the International Atomic Energy Agency, with the exception of the Republic of South Africa until it shall have terminated its policy of racial discrimination and until that fact has been duly confirmed by the General Assembly.”

78th plenary meeting,
27 March 1968

34 (II). *Resolution expressing gratitude to the Government and people of India*⁹²

The United Nations Conference on Trade and Development,

⁹² The Conference adopted this resolution by acclamation.

Having met in second session at New Delhi from 1 February to 29 March 1968, on the invitation of the Government of India,

1. *Requests* the President of the Conference to convey its respectful sense of gratitude to the President of the Republic and to the Prime Minister of India for that invitation and for the sentiments which they have expressed and which have inspired the Conference;

2. *Expresses* its sincere gratitude to the Government and people of India for the hospitality shown to the participants in the Conference;

3. *Expresses* its deep appreciation to the Government of India for the great efforts made by the Indian authorities to contribute to the smooth functioning of the services generously placed at the disposal of the Conference;

4. *Requests* the President of the Conference to assure the Government and people of India, and in particular the authorities and people of the capital of New Delhi, that the participants in the Conference carry away with them an abiding memory of the warm welcome extended to them.

81st plenary meeting,
29 March 1968

2. Other decisions

(a) PERIODIC REVIEW BY THE CONFERENCE OF THE LIST OF STATES CONTAINED IN THE ANNEX TO GENERAL ASSEMBLY RESOLUTION 1995 (XIX)⁹³

1. In conformity with operative paragraph 6 of General Assembly resolution 1995 (XIX), which provides that “the lists of States contained in the annex [to that resolution] shall be reviewed periodically by the Conference in the light of changes in membership of the Conference and other factors”, the Conference at its second session decided to include the undermentioned countries in the pertinent lists contained in the annex to General Assembly resolution 1995 (XIX):

In list A: Botswana, Gambia, Lesotho, Malawi, Maldives Islands, Mauritius, Singapore, Southern Yemen, Zambia⁹⁴

In list B: Malta⁹⁴

In list C: Barbados, Guyana⁹⁴

37th plenary meeting,
1 February 1968
and 67th plenary meeting,
18 March 1968⁹⁵

⁹³ Operative paragraph 1 of General Assembly resolution 1995 (XIX) of 30 December 1964 provides that “the members of the ... Conference ... shall be those States which are Members of the United Nations or members of the specialized agencies or of the International Atomic Energy Agency.”

⁹⁴ These countries (except Mauritius) had been previously admitted to membership of the United Nations. Mauritius, which attained independence on 12 March 1968, qualified for membership of the Conference by virtue of its having become a member of a specialized agency.

⁹⁵ See paragraph 61 of the present report.

2. The lists of States members of UNCTAD given in the annex to General Assembly resolution 1995 (XIX) have accordingly been amended by these decisions. The amended lists are set out below:

A	
Afghanistan	Lesotho
Algeria	Liberia
Botswana	Libya
Burma	Madagascar
Burundi	Malawi
Cambodia	Malaysia
Cameroon	Maldives Islands
Central African Republic	Mali
Ceylon	Mauritania
Chad	Mauritius
China	Mongolia
Congo (Brazzaville)	Morocco
Congo (Democratic Republic of)	Nepal
Dahomey	Niger
Ethiopia	Nigeria
Gabon	Pakistan
Gambia	Philippines
Ghana	Republic of Korea
Guinea	Republic of Viet-Nam
India	Rwanda
Indonesia	Saudi Arabia
Iran	Senegal
Iraq	Sierra Leone
Israel	Singapore
Ivory Coast	Somalia
Jordan	South Africa
Kenya	Southern Yemen
Kuwait	Sudan
Laos	Syria
Lebanon	Thailand
	Togo
	Tunisia

Uganda	C
United Arab Republic	
United Republic of Tanzania	Argentina
Upper Volta	Barbados
Western Samoa	Bolivia
Yemen	Brazil
Yugoslavia	Chile
Zambia	Colombia
	Costa Rica
	Cuba
B	Dominican Republic
Australia	Ecuador
Austria	El Salvador
Belgium	Guatemala
Canada	Guyana
Cyprus	Haiti
Denmark	Honduras
Federal Republic of Germany	Jamaica
Finland	Mexico
France	Nicaragua
Greece	Panama
Holy See	Paraguay
Iceland	Peru
Ireland	Trinidad and Tobago
Italy	Uruguay
Japan	Venezuela
Liechtenstein	
Luxembourg	D
Malta	
Monaco	Albania
Netherlands	Bulgaria
New Zealand	Byelorussian Soviet Socialist
Norway	Republic
Portugal	Czechoslovakia
San Marino	Hungary
Spain	Poland
Sweden	Romania
Switzerland	Ukrainian Soviet Socialist
Turkey	Republic
United Kingdom of Great Britain and Northern Ireland	Union of Soviet Socialist
United States of America	Republic

(b) ELECTION OF MEMBERS OF THE
TRADE AND DEVELOPMENT BOARD ⁹⁶

In the course of its second session, the Conference elected the fifty-five States mentioned below members of the Board: Afghanistan, Algeria, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chad, Chile, Colombia, Costa Rica, Czechoslovakia, Denmark, Federal Republic of Germany, Finland, France, Ghana, Greece, Guatemala, Hungary, India, Indonesia, Iran, Iraq, Italy, Ivory Coast, Jamaica, Japan, Madagascar, Malaysia, Mali, Mexico, Netherlands, New Zealand, Nigeria, Pakistan, Peru,

⁹⁶ See annex III.

Philippines, Poland, Romania, Rwanda, Senegal, Somalia, Spain, Sweden, Switzerland, Syria, Tunisia, Uganda, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela, Yugoslavia.

68th plenary meeting,
21 March 1968

(c) DATE AND PLACE OF THE SIXTH REGULAR
SESSION OF THE TRADE AND DEVELOPMENT BOARD ⁹⁶

In the course of its second session the Conference decided that the sixth regular session of the Board would be convened at Geneva on 6 May 1968 to consider the provisional agenda adopted by the Board at its fifth session. ⁹⁷

78th plenary meeting,
27 March 1968

(d) DESIGNATION OF INTER-GOVERNMENTAL BODIES FOR
THE PURPOSE OF RULE 80 OF THE RULES OF PROCEDURE
OF THE CONFERENCE AND OF RULE 78 OF THE RULES
OF PROCEDURE OF THE TRADE AND DEVELOPMENT
BOARD

In the course of its second session the Conference decided ⁹⁸ to designate the following five inter-governmental bodies for the purpose of participation in its deliberations under rule 80 of its rules of procedure and in the deliberations of the Board under rule 78 of the Board's rules of procedure:

Afro-Asian Rural Reconstruction Organization

Asian-African Legal Consultative Committee

Central African Customs and Economic Union

Commonwealth Secretariat

Permanent Consultative Committee of the Maghreb Countries.

40th plenary meeting,
5 February 1968
and 67th plenary meeting,
18 March 1968

(e) ADOPTION OF THE RULES OF PROCEDURE
OF THE CONFERENCE

(The text of the rules of procedure will be published separately.)

⁹⁶ See annex III.

⁹⁷ For the provisional agenda, see *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, para. 230.

⁹⁸ See paragraph 18 of annex VI.

B. OBSERVATIONS AND RESERVATIONS BY DELEGATIONS ON THE DECISIONS OF THE CONFERENCE

BRAZIL

1. The Brazilian delegation requests that the decision of the Brazilian Government, announced at the second session of the United Nations Conference on Trade and Development (77th plenary meeting) to withdraw its reservations on General Principles Seven, Eight and Fifteen contained in Annex A.I.1 of the Final Act of the first session of the Conference held in 1964,⁹⁹ be recorded in the report of the Conference on its second session.

2. Brazil therefore fully supports all the Principles embodied in the Final Act of the first session of the Conference.

CUBA

1. The Cuban delegation ratifies each and all of the reservations which it made at the Conference and which are recorded in the *Proceedings of the United Nations Conference and Trade and Development, Second Session*. Further, the Cuban delegation wishes to make a formal reservation concerning all those resolutions or texts which refer to private investment and, in particular, foreign private investment in developing countries. It also wishes to enter a formal reservation concerning each and all of the requests made to the so-called international financial and monetary institutions, such as the International Bank for Reconstruction and Development, the Inter-American Development Bank and the International Monetary Fund.

2. Furthermore, the Cuban delegation wishes to record its reservations, expressed at the 80th and 81st plenary meetings, with regard to paragraphs 36 and 92 of the report of the Conference on its second session.

CZECHOSLOVAKIA

1. The Czechoslovak delegation reserves its position on those recommendations, resolutions, declaration and other decisions of the Conference where it has recorded an abstention or where it has not taken part in the voting as reflected in the records of the Conference.

FRANCE

Declaration on the World Food Problem (Decision 9 (II))

1. The French delegation voted for the whole of the Draft Declaration on the World Food Problem, but wishes to make two reservations concerning the text adopted for paragraph 2 of the section "Developed countries". First, the French delegation considers that the recommendation concerning more favourable conditions of access to their markets should be limited to the primary commodity exports of the developing countries.

Secondly, the words "to the extent practicable" should be interpreted as meaning that Governments will not be asked to take measures which are incompatible with their obligations arising out of international treaties or agreements.

Supplementary financial measures (Decision 30 (II))

2. When recommendation A.IV.18 was adopted at the first session of the Conference,¹⁰⁰ the French delegation stated that its vote in favour of this recommendation did not mean that it had accepted the principle of just any scheme for the long-term compensation of fluctuations in export earnings; it considered that the true solution lay in the organization of primary commodity markets whereby stable and remunerative prices could be maintained. Although it renewed this reservation on the occasion of the adoption by the Conference of resolution 30 (II) concerning supplementary financial measures, the French delegation will continue to co-operate with the Intergovernmental Group on Supplementary Financing.

ITALY

Improving the terms and conditions of aid alleviating problems of external indebtedness (Decision 29 (II))

1. The Italian delegation wishes to draw attention to the difficulties the Italian Government would have in carrying out within the specified period the suggestions in paragraph 1 of this decision. However, Italy will do all it can to see that the terms now in force are brought into line with those recommended by the Development Assistance Committee of the Organisation for Economic Co-operation and Development, and subsequently with the recommendations of the Conference. This will be a long-term operation, however, since it requires substantial changes in the methods by which funds are drawn from the Italian capital markets and made available to the developing countries. In the meantime, loans will continue to be granted on increasingly favourable conditions, through the allocation to the State budget of part of the servicing of loans.

Aid volume target (Decision 27 (II))

2. The new aid volume target proposed in decision 27(II) also calls for some comment. Italy has finally accepted the target because it is determined to do everything possible to increase its contribution to the development of the Third World. However, it is necessary to point out that Italy's economic situation cannot permit the target to be linked with rigid conditions regarding the methods and periods for achieving the target. This aspect has already been taken into account in the decision concerned, and those responsible for introducing into the text the flexibility that made agreement possible are to be congratulated. There can be no doubt that this flexibility will encourage more rapid achievement of the target.

⁹⁹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 19, 20 and 22.

¹⁰⁰ *Ibid.*, pp. 52 and 53.

Supplementary financial measures (Decision 30 (II))

3. With respect to supplementary financial measures, the Italian Government has always considered that any such financial machinery should be envisaged within the framework of measures to stabilize the export earnings of the developing countries. It is to be hoped that the supplementary financial measures will provide an essential element to achieve this aim. Italy will participate fully in the activities suggested in this decision of the Conference.

JAPAN

1. In supporting the findings of the Conference at its second session on agenda item 12 (Growth, development finance and aid (synchronization of international and national policies)), the delegation of Japan wishes to make the following observations:

Aid volume target (Decision 27 (II))

2. The delegation of Japan supports the relevant recommendation on the understanding that due account would be taken of the differences in the relative capacity of individual developed countries to provide external resources, which is determined by various important economic and financial factors such as the level of *per capita* income and balance-of-payments problems. It is also the view of the Japanese Government that the Conference should pay due attention not only to the size of the financial flows as a percentage of gross national product but also to the pace at which the volume of this flow is increasing in absolute terms.

Improving the terms and conditions of aid alleviating the problems of external indebtedness (Decision 29 (II))

3. Japan is unable to adhere to a specific timetable for softening the terms of aid due to its limited aid-giving capacity. In the view of the Japanese Government, no measures to improve the quality of aid, including term harmonization, should be applied to all donor countries in a uniform manner regardless of their different aid-giving capacities.

Supplementary financial measures (Decision 30 (II))

4. In the view of the Japanese Government, only on the basis of the final outcome of the work of the newly expanded Inter-governmental Group on Supplementary Financing could any conclusion be reached on a scheme of supplementary financing, including its need, feasibility and essential characteristics. The delegation of Japan, therefore, reserves its position on paragraph 1 and 2 of decision 30 (II) which, in its view, could be construed in such a way as to prejudge the eventual outcome of the future work of the Inter-governmental Group.

Declaration on the World Food Problem (Decision 9 (II))

5. In supporting the Declaration on the World Food Problem, the representative of Japan made a statement at the 70th plenary meeting to the following effect in substance:

6. Japanese agriculture is based on small-scale farming, characterized by holdings averaging one hectare, with resultant low productivity and low levels of income for the agricultural population. This special problem of

Japanese agriculture inevitably has far-reaching political and social implications.

7. In this connexion, it is the understanding of the delegation of Japan that paragraph 2 of this declaration addressed to developed countries does not imply a request for change in the agricultural policies of Japan. This understanding has been made clearer by the insertion of the phrase "to the extent practicable" in the same paragraph.

POLAND

1. The Polish delegation confirms its abstention in the voting on the following decisions and resolution of the Conference:

- 27 (II) Aid volume target
- 28 (II) Improving the mobilization of internal resources
- 29 (II) Improving the terms and conditions of aid alleviating the problems of external indebtedness
- 30 (II) Supplementary financial measures
- 31 (II) Compensatory financing facility
- 32 (II) International monetary system — issues relating to development finance and trade of developing countries
- 33 (II) Increasing the flow of private capital to developing countries.

2. The Polish delegation, while voting for the Declaration on the World Food Problem (decision 9 (II)), abstained from voting on the section of the declaration entitled "Developed countries".

SOUTH AFRICA

1. The South African Government has indicated and now confirms its willingness to co-operate with all other countries desiring such co-operation in joint efforts to improve the prospects for international trade and development.

2. South Africa's understanding of the problems of developing countries stems from the fact that it is itself still in the process of dealing with the problems of economic growth and the fact that it has only recently been possible to attain an over-all reasonably advanced level of economic development.

3. South Africa has a very special interest in the activities of UNCTAD, not only because of its concern over the problems of the developing countries but also because it shares many of the problems. There is no clear division between the two categories of countries, namely, developing and developed, into which members of UNCTAD have been categorized and indeed there is a considerable variation within each group. It has been noted that the Conference has come to recognize that, within the group of developing countries, there are some that are less developed than others. The South African Government considers that recognition should also be accorded to the lesser developed among the countries commonly described as developed.

4. While the South African Government fully recognizes the urgent need for the accelerated development of developing countries, as one of the lesser developed among the group of so-called developed countries, South

Africa will take note of the recommendations of the Conference and be prepared, having due regard to the country's own development needs and contractual obligations, to consider the implementation of such recommendations.

5. The South African Government nevertheless reserves its right of action in regard to those recommendations of the Conference for which the South African delegation has not voted in the affirmative.

6. It is with the greatest of regret that the South African Government witnessed the inclusion of political matters in the deliberations of the second session of the Conference, whose mission laid down in General Assembly resolution 1995 (XIX) clearly lies in the fields of trade and development and in these fields only. It is difficult to see how UNCTAD will be in a position to fulfil its declared aims unless the fundamental rights of membership enshrined in the United Nations Charter are fully respected and the assistance of all nations, great or small, developed or under-developed, is actively enlisted in the co-operative efforts which are being made to come to the assistance of those nations in the world that are beset with grievous problems of an economic nature which cry out for urgent and effective internationally agreed upon measures.

7. As far as the political attacks that were made against South Africa at the Conference are concerned, the South African Government wishes to register a protest against the "resolution"¹⁰¹ calling for the suspension of South Africa from UNCTAD, which by manipulation of the rules of procedure was rushed through in the final stages of the proceedings. Further, owing to the objections of the majority of the Conference, the final report does not reflect the actual proceedings relevant to the discussion and adoption of the "resolution".

SWITZERLAND

The attitude of the Swiss authorities towards the resolutions adopted and the decisions taken at the second session of the United Nations Conference on Trade and Development was expressed by the votes, observations and statements of the Swiss delegation in plenary. The Swiss delegation voted in favour of all the resolutions adopted at the second session of the Conference, except for resolutions 14 (II), 22 (II) and 25 (II), which it voted against, and resolution 26 (II), when it abstained from voting. Its observations and statements are recorded in the summary records bearing the symbols TD/SR. 75, 76, 77, 78 and 79.

UNION OF SOVIET SOCIALIST REPUBLICS

1. The delegation of the Union of Soviet Socialist Republics considers it necessary to note that it abstained during the voting on the texts of the following decisions and resolution contained in the annexes to the report on the second session of the Conference: 27 (II), 28 (II), 29 (II), 30 (II), 31 (II), 32 (II) and 33 (II), and that it

cannot agree with the provisions of the above-mentioned annexes which do not take into account the special characteristics of the socialist economy, and which also do not reflect the basic position of the USSR delegation at the second session of the Conference.

2. The Soviet Union has never exploited, and is not now exploiting, the developing countries in any form; and consequently it does not and cannot bear any moral or material responsibility for the grave economic situation of the developing countries. In this context, the delegation of the Soviet Union is not in agreement with the idea of dividing all countries into "rich" and "poor", or into the "rich North" and the "poor South".

3. An essential prerequisite of the mobilization of internal resources in the developing countries is the carrying out of progressive social and economic transformations.

4. It is also necessary that the activity of foreign private capital in the developing countries should be under the full control of the Governments of the developing countries, which would help to protect the interests of the developing countries.

5. The Soviet delegation voted for the adoption of the "Declaration on the World Food Problem" (Decision 9 (II)) as a whole, but it maintains its reservations, as expressed at the Conference, regarding the part of the declaration entitled "Developed countries".

Index to observations and reservations

Annex A.I.1 (General and Special Principles) of the Final Act of the first session of the Conference

Brazil (withdrawal of reservations)

General observations

Cuba, Czechoslovakia, South Africa, Switzerland, Union of Soviet Socialist Republics

Declaration on the World Food Problem (Decision 9 (II))

France, Japan, Poland, Union of Soviet Socialist Republics

International legislation on shipping (Resolution 14 (II))

Switzerland

Steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development (Resolution 22 (II))

Brazil, Switzerland

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 — restrictive business practices (Resolution 25 (II))

Switzerland

Suspension of South Africa (Resolution 26 (II))

South Africa, Switzerland

Aid volume target (Decision 27 (II))

Italy, Japan, Poland, Union of Soviet Socialist Republics

Improving the mobilization of internal resources (Decision 28 (II))

Poland, Union of Soviet Socialist Republics

Improving the terms and conditions of aid alleviating the problems of external indebtedness (Decision 29 (II))

Italy, Japan, Poland, Union of Soviet Socialist Republics

¹⁰¹ See resolution 26 (II).

Supplementary financial measures (Decision 30 (II))
France, Italy, Japan, Poland, Union of Soviet Socialist Republics

Compensatory financing facility (Decision 31 (II))
Poland, Union of Soviet Socialist Republics

*International monetary system — issues relating to development
finance and trade of developing countries* (Decision 32 (II))
Poland, Union of Soviet Socialist Republics

Increasing the flow of private capital to developing countries
(Resolution 33 (II))

Poland, Union of Soviet Socialist Republics

Report of the Conference on its second session

Paragraph 36

Cuba

Paragraph 92

Cuba

ANNEX II

Action with respect to reports of Main Committees and other Sessional Bodies concerning items referred to them¹

Credentials Committee

1. The report of the Credentials Committee (see annex VII) was considered by the Conference at its 67th plenary meeting on 18 March 1968.

2. Subject to reservations expressed by certain delegations during consideration of the report,¹ the Conference adopted the following resolution (resolution 35 (II) in annex I A).

Credentials of representatives to the second session of the United Nations Conference on Trade and Development

"The United Nations Conference on Trade and Development,

"Approves the report of the Credentials Committee."

First Committee

3. The Conference took note of the report of the First Committee (see annex VII) at its 73rd plenary meeting.

4. At its 77th plenary meeting on 26 March 1968, the Conference dealt with one draft resolution concerning commodity problems and policies submitted by the First Committee; four draft proposals agreed by a Contact Group of the Plenary established to consider draft recommendations, decisions and resolutions submitted to the Committee but not adopted by it (TD/L.29 and Corr.I., part I); and with a number of draft proposals considered by the Contact Group which could not be agreed in their entirety, on which no agreement was reached, or which could not be given adequate consideration (TD/L.29 and Corr.I., parts II-IV).

5. The Conference took the following action on the drafts before it:

(a) Draft proposal on international action on commodities

Adopted without dissent (see resolution 16 (II) in annex I A).

(b) Draft proposal on a general agreement on commodity arrangements

Adopted without dissent (see resolution 17 (II) in annex I A).

(c) Draft proposal on co-ordination by UNCTAD of the activities of inter-governmental commodity bodies

Adopted without dissent (see resolution 18 (II) in annex I A).

(d) Draft proposal on studies by international financial institutions on stabilization of commodity prices

Adopted with one abstention (see resolution 19 (II) in annex I A).

(e) Draft proposal on guaranteed minimum agricultural income

Adopted without dissent (see resolution 20 (II) in annex I A).

(f) Draft proposals contained in parts II-IV of document TD/L.29

Decided *(a)* to transmit these draft proposals to the Trade and Development Board for consideration at its seventh session and *(b)* to annex them to the report of the Conference.²

Second Committee

6. The Conference took note of the report of the Second Committee (see annex VII) at its 72nd plenary meeting.

7. At its 72nd, 74th, 77th and 78th plenary meetings, held respectively on 23, 24, 26 and 27 March 1968, the Conference dealt with the draft resolutions concerning the expansion and diversification of exports of manufactures and semi-manufactures of developing countries not adopted by the Committee that had been submitted to the Conference in the annex to the Committee's report; with a draft resolution (TD/L.32) transmitted by the Chairman of the Contact Group of the Plenary established by the President to consider the draft resolutions.

Document TD/L.32 was intended to supersede the draft decision on basic principles and procedures governing an agreement on the general system of preferences. An amended text of the resolution concerning restrictive business practices was submitted orally in plenary.

8. The Conference took the following action on the draft resolutions before it:

(a) Draft resolution on preferential or free entry of exports of manufactures and semi-manufactures of developing countries to developed countries

Adopted unanimously (see resolution 21 (II) in annex I A).

(b) Draft resolution on a 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 — restrictive business practices

¹ For an account of the discussion see the summary record of the meeting (TD/SR.67).

² See annex VIII.

Adopted by 57 votes to 12, with 9 abstentions (see resolution 25 (II) in annex I A).

(c) *Draft resolution on a programme for export development for the diversification of exports from developing countries — promotion of economic technical and industrial co-operation to this end*

The Conference decided to transmit the draft resolution to the Trade and Development Board for consideration.³

(d) *Draft resolution on a programme for the liberalization and expansion of trade in manufactures and semi-manufactures (including processed and semi-processed primary products) of interest to the developing countries*

The Conference decided to transmit the draft resolution to the Trade and Development Board for consideration.³

Third Committee

9. The Conference took note of the report of the Third Committee (see annex VII) at its 74th plenary meeting.

10. At its 78th and 79th plenary meetings, held respectively on 27 and 28 March 1968, the Conference dealt with fifteen draft resolutions, recommendations and suggestions concerning growth, development finance and aid, contained in annex I to the Committee's report; with seven draft texts (TD/L.28 and Corr.1 and Corr.2/Rev.1.) submitted for consideration by the Chairman of the Contact Group of the Plenary established by the President of the Conference to consider the contents of annex I; and with the revised text of a note by the Chairman of the Third Committee on IBRD group matters (TD/L.22) containing a draft text.

11. The Conference decided that statements in connexion with the consideration of annex I to the Committee's report made by the Chairman of the Third Committee and by the representatives of Brazil, Ceylon and the United Kingdom of Great Britain and Northern Ireland, should be included in the report of the Conference. The text of these statements is reproduced in annex IX to the report of the Conference.

12. The Conference took the following action on the drafts before it.⁴

(a) *Draft text on the aid volume target*

As amended in plenary, adopted by 69 votes to none, with 8 abstentions (see decision 27 (II) in annex I A).

(b) *Draft text on improving the mobilization of internal resources*

Adopted by 68 votes to none, with 5 abstentions (see decision 28 (II) in annex I A).

(c) *Draft text on improving the terms and conditions of aid alleviating the problems of external indebtedness*

Adopted by 63 votes to none, with 7 abstentions (see decision 29 (II) in annex I A).

(d) *Draft text on supplementary financial measures*⁵

Adopted by 70 votes to none, with 8 abstentions (see decision 30 (II) in annex I A).

(e) *Draft text on the compensatory financing facility*

Adopted by 67 votes to none, with 8 abstentions (see decision 31 (II) in annex I A).

(f) *Draft text on the international monetary system — issues relating to development finance and trade of developing countries*

Adopted by 71 votes to none, with 8 abstentions (see decision 32 (II) in annex I A).

(g) *Draft text on increasing the flow of private capital to developing countries*

Adopted by 67 votes to 3, with 6 abstentions (see resolution 33 (II) in annex I A).

(h) *Draft resolution on the outflow of financial resources from developing countries*

Decided to transmit the draft resolution to the Trade and Development Board for consideration.⁶

(i) *Draft resolution on extension of the operations of the World Bank and its affiliates*

Decided to transmit the draft resolution, as amended in plenary, to the Trade and Development Board for consideration.⁶

(j) *Draft proposal on increasing the flow of international public and private capital*

Decided to transmit the draft proposal to the Trade and Development Board for consideration.⁶

(k) *Suggestion on growth, development finance and aid (synchronization of international and national policies)*

Decided to transmit the suggestion to the Trade and Development Board for consideration.⁶

(l) *Draft resolution on special measures concerning development finance and technical assistance*

Decided to transmit the draft resolution to the Trade and Development Board for consideration.⁶

(m) *Draft resolution on special measures concerning development finance and technical assistance*

Decided to transmit the draft resolution to the Trade and Development Board for consideration.⁶

(n) *Draft text on World Bank group matters*

Decided to transmit the draft text to the Trade and Development Board for consideration.⁶

Fourth Committee

13. The Conference took note of the report of the Fourth Committee (see annex VII) at its 69th plenary meeting on 22 March 1968.

14. At the same meeting, the Conference dealt with the seven draft resolutions concerning problems of developing countries in regard to invisibles, including shipping, that had been submitted to the Conference by the Committee in annex I to its report.

³ For the text of this draft resolution, see annex VIII.

⁴ During the voting on the drafts set out in sub-paragraphs (a) to (g) below, various delegations expressed reservations thereon, and requested that these be included in the summary record of the meeting. For the text of these reservations, see the record of the 79th plenary meeting (TD/SR.79).

⁵ The delegation of France requested that a declaration by it on this text be included in the report of the Conference. This declaration is reproduced in annex IB.

⁶ For the text of this draft, see annex VIII.

15. At its 74th plenary meeting on 24 March 1968, the Conference dealt with two additional draft resolutions submitted respectively by Chile, Czechoslovakia, Denmark, India, Pakistan and Senegal (TD/L.20) and Czechoslovakia, India, Japan, Nigeria, Pakistan, United Kingdom of Great Britain and Northern Ireland and United States of America (TD/L.18) which had not been considered by the Committee but which were intended to replace the two draft resolutions cited in paragraphs 63 and 131 of the Committee's report.

16. At its 76th plenary meeting on 25 March 1968, the Conference dealt with a further draft resolution submitted by Chile, Czechoslovakia, India, Ivory Coast, Union of Soviet Socialist Republics and United Arab Republic (TD/L.27), which had not been considered by the Committee but was intended to replace the draft resolution cited in paragraph 89 of the Committee's report.

The Conference took the following action on the draft resolutions before it:

(a) *Draft resolution on the establishment of consultation machinery in the field of shipping*

Adopted unanimously (see resolution 2 (II) in annex I A).

(b) *Draft resolution on freight rates and conference practices*

Adopted unanimously (see resolution 3 (II) in annex I A).

(c) *Draft resolution on terms of shipment*

Adopted unanimously (see resolution 4 (II) in annex I A).

(d) *Draft resolution on regular sessions of the Committee on Shipping*

Adopted unanimously (see resolution 5 (II) in annex I A).

(e) *Draft resolution on substantive support for technical assistance*

Adopted unanimously (see resolution 6 (II) in annex I A).

(f) *Draft resolution on the development of ports*

Adopted unanimously (see resolution 7 (II) in annex I A).

(g) *Draft resolution on tourism*

Adopted unanimously (see resolution 8 (II) in annex I A).

(h) *Draft resolution on development of merchant marines of developing countries*

Adopted unanimously (see resolution 12 (II) in annex I A).

(i) *Draft resolution on insurance*

Adopted unanimously (see resolution 13 (II) in annex I A).

(j) *Draft resolution on international legislation on shipping*

Adopted by a roll-call vote of 73 votes to 19, with 5 abstentions (see resolution 14 (II) in annex I A).

Fifth Committee

17. The Conference took note of the report of the Fifth Committee (see annex VII) at its 71st plenary meeting.

18. At its 75th, 76th and 77th plenary meetings on 25 and 26 March 1968, the Conference dealt with the following draft recommendations and resolutions concerning trends and problems in world trade and development that were before it: two draft recommendations and two draft resolutions contained in annex I to the Committee's report; and a draft resolution submitted by the Chairman of the Fifth Committee (TD/L.25/Rev.1), not considered by the Committee, which was intended to replace the draft recommendation and draft resolution on trade relations among countries having different economic and social systems contained in annex I to the Committee's report.

19. The Conference took the following action on the draft proposals before it:

(a) *Draft resolution on trade relations among countries having different economic and social systems including problems of East-West trade, paying attention particularly to the trade interests of developing countries and taking into account the work in the field of other United Nations organs, including the regional economic commissions*

Adopted unanimously, as amended, in plenary (see resolution 15 (II) in annex I A).

(b) *Draft resolution on steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development*

Adopted by a roll-call vote of 68 votes to 17, with 6 abstentions (see resolution 22 (II) in annex I A).

(c) *Draft recommendation on the impact of the regional economic groupings of the developed countries on international trade including the trade of developing countries*

Decided to transmit the draft recommendation to the Trade and Development Board for its consideration, without prejudice to any action taken by the Conference.⁷

Working Group I

20. The Conference took note of the report of Working Group I (see annex VII) at its 68th plenary meeting.⁸

21. At its 70th plenary meeting on 22 March 1968, the Conference dealt with a draft recommendation concerning the world food problem contained in annex I to the Working Group's report, and with a number of proposed amendments thereto contained in the report and with a number of proposed amendments thereto contained in the report and with amendments proposed in the plenary.

22. At its 75th plenary meeting on 25 March 1968, the Conference dealt with a draft resolution on the transfer of technology contained in annex II to the Working Group's report, and with an alternative version (TD/L. 24) intended to replace the draft resolution, which had not been considered by the Working Group.

⁷ *Idem.*

⁸ For a reservation formulated by one delegation see the summary record of the meeting (TD/SR.68).

23. The Conference took the following action on the draft proposals before it:

(a) Draft declaration on the world food problem

Adopted, as amended in plenary, by 86 votes to 1, with no abstentions (see decision 9 (II) in annex I A).

(b) Draft resolution on the transfer of technology

Decided, by a vote of 67 to 2, with 15 abstentions, to transmit the draft resolution, as amended in plenary, to the Trade and Development Board at its seventh session for consideration.⁹

Working Group II

24. The Conference took note of the report of Working Group II (see annex VII) at its 77th plenary meeting on 26 March 1968.

25. At the same meeting, the Conference dealt with the draft text of a concerted declaration on trade expansion, economic co-operation and regional integration among developing countries submitted by the Chairman of the Working Group (TD/L.33); with drafts relating to special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development, contained in annex I to the Working Group's report; and with a draft resolution on the same subject (TD/L.31) submitted by the Chairman of the Working Group, after consultation with a negotiating

group established by the President of the Conference, which was intended to replace the drafts in annex II to the Working Group's report.

26. The Conference took the following action on the drafts before it:

(a) Draft concerted declaration on trade expansion, economic co-operation and regional integration among developing countries

Adopted without dissent (see decision 23 (II) in annex I A).

(b) Draft resolution on special measures for the least developed among the developing countries aimed at expanding their trade and improving their economic and social development

Adopted unanimously (see resolution 24 (II) in annex I A).

Working Group III

27. The Conference took note of the report of Working Group III (see annex VII) at its 71st plenary meeting on 23 March 1968.

28. At the same meeting, the Conference dealt with the draft resolution on the special problems of land-locked countries contained in paragraph 17 of the Working Group's report.

The Conference took the following action on the draft resolution before it:

Draft resolution on the special problems of land-locked countries

Adopted unanimously (see resolution 11 (II) in annex I A).

⁹ For the text of this draft resolution, see annex VIII.

ANNEX III

Action in respect of items dealt with by the Conference without reference to Sessional Bodies

General review of the work of UNCTAD

(Agenda item 16)

1. At its 77th plenary meeting on 26 March 1968 the conference took note of a draft resolution submitted by Chile and India (TD/L.30 and Corr.1)¹ and remitted it with a proposal made by Sweden (TD/L. 34)² to the Trade and Development Board at its seventh session for study and decision.

(a) ACTIVITIES OF THE ORGANS OF THE CONFERENCE

2. The Conference considered this sub-item at its 68th and 70th plenary meetings. A draft recommendation entitled "Measures to inform world public opinion of the work of UNCTAD and of the problems of development" (TD/L.10) was submitted by Austria, Chile, Ecuador, Finland, Pakistan, Romania, Sweden, Tunisia and the United Republic of Tanzania. This draft was superseded by a revised draft resolution (TD/L.10/Rev.1). The United Kingdom proposed certain amendments (TD/L.14). After discussion, the revised draft with certain modifications was adopted without dissent at the 70th plenary meeting on 22 March 1968.³

(b) TECHNICAL ASSISTANCE ACTIVITIES RELATING TO TRADE, INCLUDING TRAINING OF TECHNICAL AND SPECIAL STAFF OF DEVELOPING COUNTRIES

3. The Conference considered this sub-item at its 68th plenary meeting on 21 March, 1968.

4. A draft resolution submitted by France, Iran, Romania, Senegal and Tunisia (TD/L.7/Rev.1) was adopted by the Conference without dissent, subject to minor amendments.³

Election of members of the Board

(Agenda item 17)

5. Paragraphs 7 and 8 of General Assembly resolution 1995 (XIX) of 30 December 1964 state that "the members of the Board shall be elected at each regular session of the Conference. They shall hold office until the election of their successors." "Retiring members shall be eligible for re-election."

¹ For the text of this draft resolution, see annex VIII.

² For the text of this resolution as adopted, see resolution 10 (II) in annex IA.

³ For the text of this resolution as adopted, see resolution 1 (II) in annex IA.

6. Paragraph 5 of the said resolution provides that "in electing the members of the Board, the Conference shall have full regard for both equitable geographical distribution and the desirability of continuing representation for the principal trading States, and shall accordingly observe the following distribution of seats:

(a) Twenty-two from the States listed in part A of the annex to the... resolution;

(b) Eighteen from the States listed in part B of the annex;

(c) Nine from the States listed in part C of the annex;

(d) Six from the States listed in part D of the annex."

7. At the 68th plenary meeting of the Conference, held on 21 March 1968, the representative of Brazil nominated the following States, from among those listed in parts A and C of the annex to resolution 1995 (XIX), as candidates for membership of the Board:

A	
1. Afghanistan	17. Senegal
2. Algeria	18. Somalia
3. Chad	19. Syria
4. Ghana	20. Tunisia
5. India	21. Uganda
6. Indonesia	22. Yugoslavia
C	
7. Iran	1. Brazil
8. Iraq	2. Chile
9. Ivory Coast	3. Colombia
10. Madagascar	4. Costa Rica
11. Malaysia	5. Guatemala
12. Mali	6. Jamaica
13. Nigeria	7. Mexico
14. Pakistan	8. Peru
15. Philippines	9. Venezuela
16. Rwanda	

8. The President announced that he had received communications nominating the following States from among those mentioned in parts B and D of the annex as candidates for membership of the Board:

B	
1. Australia	10. Italy
2. Austria	11. Japan
3. Belgium	12. Netherlands
4. Canada	13. New Zealand
5. Denmark	14. Spain
6. Federal Republic of Germany	15. Sweden
7. Finland	16. Switzerland
8. France	17. United Kingdom of Great Britain and Northern Ireland
9. Greece	18. United States of America

D

1. Bulgaria
2. Czechoslovakia
3. Hungary
4. Poland
5. Romania
6. Union of Soviet Socialist Republics

9. The President, having noted that the number of candidates nominated from among those mentioned in the four parts of the annex to the said resolution corresponded exactly to the number of seats to be filled, invited the Conference to consider whether it wished to waive the operation of rule 58 of the rules of procedure concerning elections by secret ballot. The Conference agreed to waive this procedure and the President accordingly declared the following fifty-five States elected members of the Board: ⁴ Afghanistan, Algeria, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chad, Chile, Colombia, Costa Rica, Czechoslovakia, Denmark, Federal Republic of Germany, Finland, France, Ghana, Greece, Guatemala, Hungary, India, Indonesia, Iran, Iraq, Italy, Ivory Coast, Jamaica, Japan, Madagascar, Malaysia, Mali, Mexico, Netherlands, New Zealand, Nigeria, Pakistan, Peru, Philippines, Poland, Romania, Rwanda, Senegal, Somalia, Spain, Sweden, Switzerland, Syria, Tunisia, Uganda, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela and Yugoslavia.

Other business
(Agenda item 18)

**FINANCIAL IMPLICATIONS OF ACTIONS
OF THE CONFERENCE**

10. At its 79th plenary meeting on 28 March 1968, the representative of the Secretary-General of UNCTAD, in conformity with rule 32 of the rules of procedure submitted to the Conference a summary statement of the financial implications of actions of the Conference taken at its second session (TD/90 and Add.1). The Conference took note of this statement. ⁵

**DATE AND PLACE OF THE SIXTH REGULAR SESSION
OF THE TRADE AND DEVELOPMENT BOARD**

11. At its 78th plenary meeting on 27 March 1968 the Conference decided that the sixth regular session of the

⁴ For statements made before the election see the summary record of the 68th plenary meeting (TD/SR.68).

⁵ For the text of the statement see annex IX.

Trade and Development Board would be convened at Geneva on 6 May 1968, to consider the provisional agenda adopted by the Board at its fifth session. ⁶

QUESTION OF THE SUSPENSION OF SOUTH AFRICA

12. At its 78th plenary meeting on 27 March 1968, the Conference decided, under rule 7 of the rules of procedure, to include the question of the suspension of South Africa as an additional sub-item of item 18 (Other business) of its agenda. After discussion the Conference, by a roll-call vote, adopted a draft resolution recommending an amendment of General Assembly resolution 1995 (XIX) which had been submitted by Afghanistan, Algeria, Barbados, Burundi, Cameroon, Central African Republic, Chad, Chile, Congo (Brazzaville), Congo (Democratic Republic of), Ethiopia, Gabon, Gambia, Ghana, Guinea, India, Indonesia, Iraq, Ivory Coast, Jamaica, Kenya, Liberia, Libya, Madagascar, Malaysia, Mali, Mauritania, Mexico, Morocco, Niger, Nigeria, Pakistan, Peru, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Somalia, Sudan, Togo, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Venezuela, Yemen, Yugoslavia and Zambia (TD/L.35 and Add.1). ⁷ A number of representatives explained their votes. ⁸

**DRAFT RESOLUTION EXPRESSING GRATITUDE
TO THE GOVERNMENT AND PEOPLE OF INDIA**

13. At the 81st plenary (closing) meeting of the second session on 29 March 1968, the representative of Norway, speaking on behalf of all the participating States, introduced a draft resolution expressing gratitude to the Government and people of India for the hospitality extended to the Conference. The representatives of Venezuela (on behalf of the Latin American countries), the Ivory Coast (on behalf of the African countries), Hungary (on behalf of the socialist countries of eastern Europe) and the Philippines (on behalf of the Asian countries) supported the draft resolution which was adopted by acclamation. ⁹

⁶ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, para. 229.

⁷ For the text of the resolution as adopted and the voting record see resolution 26 (II) in annex IA.

⁸ See the summary record of the 78th meeting (TD/SR.78).

⁹ For the text, see resolution 34 (II) in annex IA.

ANNEX IV

Adoption of the Report of the Conference on its Second Session

(Agenda item 19)

The report of the Conference was adopted by the Conference at its 81st (closing) plenary meeting on 29 March 1968, subject to the customary editorial changes to be approved by the Rapporteur and on the understanding that the Rapporteur was authorized to complete the report as necessary.

ANNEX V

Summaries of statements made in plenary meetings during the opening and closing stages of the Conference *

<i>Country</i>	<i>Name of representative</i>	<i>Date</i>	<i>Plenary Meeting</i>	<i>Page</i>
STATES MEMBERS OF UNCTAD				
Afghanistan	Mr. Nour Ali	8.2.68	50th	72
Algeria	Mr. Belaid Abdesselam	16.2.68	62nd	73
Argentina	Mr. Adalbert Krieger Vasena	27.2.68	65th	74
Australia	Mr. J. McEwen	7.2.68	46th	77
Austria	Mr. Kurt Waldheim	6.2.68	44th	78
Barbados	Mr. J. C. King	16.2.68	62nd	79
Belgium	Mr. P. A. Forthomme	10.2.68	53rd	80
Bolivia	Mr. Remberto Capriles Rico	14.2.68	58th	82
Brazil	Mr. José de Magalhães Pinto	5.2.68	40th	83
Bulgaria	Mr. Ivan Boudinov	5.2.68	41st	85
Burundi	Mr. Barnabé Kanyaruguru	14.2.68	59th	87
Byelorussian SSR	Mr. A. V. Razumenko	9.2.68	51st	87
Cambodia	Mr. Nong Kimny	14.2.68	59th	88
Cameroon	Mr. Vincent Efon	16.2.68	62nd	89
Canada	Mr. Robert Winters	8.2.68	48th	90
Ceylon	Mr. J. R. Jayewardene	5.2.68	40th	92
Chad	Mr. Abdoulaye Lamana	13.2.68	56th	93
Chile	Mr. Hernán Santa Cruz	6.2.68	43rd	94
China	Mr. Li Kwo-ting	5.2.68	42nd	96
Colombia	Mr. Alfonso Palacio-Rudas	7.2.68	46th	96
Congo (Brazzaville)	Mr. Aimé Matsika	14.2.68	59th	97
Congo (Democratic Republic of)	Mr. Jean Umba di Lutete	6.2.68	45th	98
Cuba	Mr. Marcelo Fernández Font	8.2.68	49th	99
Cyprus	Mr. Andreas Araouzos	6.2.68	45th	101
Czechoslovakia	Mr. František Hamouz	6.2.68	44th	101
Denmark	Mr. Wilhelm Ulrichsen	14.2.68	59th	102
" "	Mr. Poul Hartling	12.3.68	66th	104
Ecuador	Mr. José R. Martínez Cobo	15.2.68	60th	105
Ethiopia	Mr. Abebe Retta	6.2.68	45th	106
Federal Republic of Germany	Mr. Karl Schiller	5.2.68	40th	107
Finland	Mr. Olavi Salonen	6.2.68	44th	109
France	Mr. Michel Debré	5.2.68	40th	109
Gambia	Mr. Sherrif M. Dibba	8.2.68	50th	111
Ghana	Mr. F. Ribeiro-Ayeh	8.2.68	48th	112
Greece	Mr. Georges Papadimitracopoulos	13.2.68	57th	113
Guinea	Mr. Ousmane Baldet	15.2.68	60th	114
Guyana	Mr. Hilbert Spence	9.2.68	52nd	115
Holy See	Monsignor Joseph Caprio	8.2.68	49th	115
" "	The Rev. Father Henri de Riedmatten	18.3.68	67th	117
Hungary	Mr. József Biró	7.2.68	47th	117
India	Mr. B. R. Bhagat	8.2.68	48th	118
Indonesia	Mr. Mohamed Jusuf	7.2.68	47th	122
Iran	Mr. Alinaghi Alikhani	8.2.68	49th	123
Iraq	Mr. Abdul-Karim Kannuna	6.2.68	45th	123
Ireland	Mr. Patrick J. Hillery	6.2.68	44th	124
Israel	Mr. Zeev Sharef	7.2.68	47th	125
Italy	Mr. Mario Zagari	6.2.68	44th	126
Jamaica	Mr. K. B. Scott	13.2.68	57th	127
Japan	Mr. Etsusaburo Shiina	5.2.68	41st	129
Jordan	Mr. Kemal Homoud	15.2.68	61st	130
Kenya	Mr. Mwai Kibaki	12.2.68	55th	131

* Extracted from the summary records of the plenary meetings.

<i>Country</i>	<i>Name of representative</i>	<i>Date</i>	<i>Plenary Meeting</i>	<i>Page</i>
Kuwait	Mr. Abdulla Al-Jabir Al-Sabah	8.2.68	50th	132
Laos	Mr. Sisouk Na Champassak	6.2.68	45th	133
Lebanon	Mr. Georges Hakim	10.2.68	53rd	133
Liberia	Mr. D. Franklin Neal	14.2.68	59th	134
Libya	Mr. Ibrahim El-Bakbak	13.2.68	57th	135
Luxembourg	Mr. A. Duhr	15.2.68	61st	136
Madagascar	Mr. J. Rabemananjara	14.2.68	58th	136
Malawi	Mr. A. K. Banda	9.2.68	52nd	138
Malaysia	Mr. Yeo Beng Poh	9.2.68	52nd	139
Mali	Mr. Louis Nègre	14.2.68	58th	140
Mauritania	Mr. Mohamed Salem Ould M'Khaitirat	6.2.68	45th	141
Mexico	Mr. Plácido García Reynoso	7.2.68	47th	142
Mongolia	Mr. M. Dorjgotov	9.2.68	51st	143
Morocco	Mr. Abdelwahad Laraki	8.2.68	50th	144
Nepal	Mr. Gunjeswari Prasad Singh	13.2.68	57th	146
Netherlands	Mr. L. de Block	5.2.68	41st	147
Netherlands	Mr. B. J. Udink	18.3.68	67th	148
New Zealand	Mr. B. E. Talboys	8.2.68	49th	149
Niger	Mr. Jean Poisson	22.2.68	64th	150
Nigeria	Mr. Shetima Ali Monguno	9.2.68	52nd	152
Norway	Mr. Kare Willoch	7.2.68	46th	153
Pakistan	Mr. Abdul Ghafoor Khan Nawabzada Hoti	5.2.68	42nd	154
Peru	Mr. Edgardo Seoane Corrales	16.2.68	62nd	155
Philippines	Mr. Marcelo S. Balatbat	7.2.68	47th	157
Poland	Mr. F. Modrzewski	13.2.68	56th	158
Republic of Korea	Mr. Chung Yum Kim	8.2.68	48th	158
Republic of Viet-Nam	Mr. Tran Van Do	15.2.68	60th	160
Romania	Mr. Gheorghe Radulescu	9.2.68	51st	161
Rwanda	Mr. Deogratias Gashonga	14.2.68	59th	162
Saudi Arabia	Mr. Yusuf Adib Al-Aama	12.2.68	55th	162
Senegal	Mr. Doudou Thiam	14.2.68	58th	163
Sierra Leone	Mr. Joseph A. Wilson	12.2.68	54th	164
Singapore	Mr. Maurice Baker	16.2.68	62nd	165
Somalia	Mr. Mohamed Ali Daar	14.2.68	58th	165
South Africa	Mr. Willem Christiaan Naude	22.2.68	64th	166
Southern Yemen	Mr. Mahmood Saeed Madhi	12.2.68	55th	167
Spain	Mr. Faustino García Moncó	8.2.68	50th	168
Sudan	Mr. Beshir El Bakri	15.2.68	60th	169
Sweden	Mr. Gunnar Lange	6.2.68	44th	170
Switzerland	Mr. Paul R. Jolles	6.2.68	43rd	172
Syria	Mr. Zouheir Khani	12.2.68	55th	173
Thailand	Mr. Sunthorn Hongladarom	5.2.68	42nd	174
Togo	Mr. Prosper Anani Placktor	15.2.68	61st	175
Trinidad and Tobago	Mr. W. Andrew Rose	12.2.68	55th	176
Tunisia	Mr. Mansour Moalla	8.2.68	49th	177
Turkey	Mr. Kamil Ocak	9.2.68	51st	178
Uganda	Mr. William Wilberforce Kalema	12.2.68	54th	180
Ukrainian SSR	Mr. B. G. Tsomaya	12.2.68	54th	181
Union of Soviet Socialist Republics	Mr. N. S. Patolichev	7.2.68	46th	182
United Arab Republic	Mr. Abdel Moneim Kaissouni	7.2.68	46th	184
United Kingdom of Great Britain and Northern Ireland	Mr. Anthony Crosland	6.2.68	43rd	186
United Republic of Tanzania	Mr. A. M. Maalim	13.2.68	57th	188
United States of America	Mr. Eugene V. Rostow	5.2.68	41st	189
Upper Volta	Mr. Tiemoko Marc Garango	13.2.68	56th	192
Uruguay	Mr. Héctor Luisi	5.2.68	42nd	193
Venezuela	Mr. Manuel Pérez Guerrero	13.2.68	57th	194
Yugoslavia	Mr. Janez Stanovnik	6.2.68	43rd	196
Zambia	Mr. M. J. Chimba	13.2.68	56th	197

	<i>Name of representative</i>	<i>Date</i>	<i>Plenary Meeting</i>	<i>Page</i>
REGIONAL ECONOMIC COMMISSIONS OF THE UNITED NATIONS				
Economic Commission for Asia and the Far East	U Nyun	2.2.68	39th	199
Economic Commission for Latin America	Mr. C. Quintana	8.2.68	50th	199
Economic Commission for Africa	Mr. J. H. Mensah	27.2.68	65th	200
SPECIALIZED AGENCIES				
International Labour Organisation	Mr. P. M. Menon	12.2.68	54th	203
Food and Agriculture Organization of the United Nations	Mr. A. H. Boerma	9.2.68	52nd	204
International Bank for Reconstruction and Development	Mr. George Woods	9.2.68	51st	205
International Monetary Fund	Mr. Edgar Jones	13.2.68	56th	208
INTER-GOVERNMENTAL BODIES				
Afro-Asian Rural Reconstruction Organization	Mr. Krishna Chand	27.2.68	65th	209
Asian-African Legal Consultative Committee	Mr. Moustafa O. A. M. Badr	22.3.68	70th	210
Asian Development Bank	Mr. Takeshi Watanabe			211
Commonwealth Secretariat	Mr. T. E. Gooneratne	6.2.68	45th	211
Council of Arab Economic Unity	Mr. A. M. El Banna	13.2.68	56th	212
Council for Mutual Economic Assistance	Mr. N. Faddeyev	12.2.68	55th	213
European Economic Community	Mr. Edoardo Martino	9.2.68	52nd	214
Inter-American Development Bank	Mr. Felipe Herrera	8.2.68	49th	215
Organization for Economic Co-operation and Development	Mr. Thorkil Kristensen			218
Organization of American States	Mr. Carlos Sanz de Santa María	7.2.68	47th	219
Permanent Consultative Committee of the Maghreb	Mr. Chadli Tnani	15.2.68	60th	221
Permanent Secretariat of the General Treaty on Central American Economic Integration	Mr. Eduardo Palomo Escobar	15.2.68	61st	221
UNITED NATIONS SECRETARIAT				
Under Secretary-General for Economic and Social Affairs	Mr. P. de Seynes	6.2.68	44th	222
Assistant Administrator, United Nations Development Programme	Mr. Rajendra Coomaraswamy	10.2.68	53rd	225

STATES MEMBERS OF UNCTAD

Summary of statement made at the 50th plenary meeting, 8 February 1968, by Mr. Nour Ali, Minister of Commerce of Afghanistan

1. Mr. Nour Ali (Afghanistan) said he would restrict his statement to points of particular importance to his delegation. As far as preferences and tariff measures for the developing countries' trade were concerned, his delegation supported the efforts that had led to the Algiers Charter, following the recommendations of the first session of the Conference. The results of the Kennedy Round, however disappointing they might appear to the developing countries, did show that something could be done to reduce tariffs. A non-reciprocal preference agreement should be concluded so as to give developing countries a better chance of exporting to the markets of the industrialized countries.

2. He recalled how, after long discussions, it had been decided that the question of tariff preferences was ripe

for a decision to be taken at the second session of the Conference, and he pointed out that although the debate had in the main covered preferences for manufactures and semi-manufactures, it should not be forgotten that nine-tenths of the developing countries' export trade was in primary products, and that over 80 per cent of that trade went to developed countries. At the fifth session of the Trade and Development Board, the delegation of Afghanistan had proposed that the idea of a preference system should be extended to include processed agricultural products. That proposal had been given a favourable reception, and was recorded in the Board's report to the General Assembly.¹ It was also in the list of recommenda-

¹ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, para. 72.

tions of the Charter of Algiers. If the preference system were to be limited to manufactures and semi-manufactures, it would undoubtedly put the least advanced of the developing countries at a disadvantage.

3. Moreover, because of the competition among the developing countries to export to the markets of the developed countries, whatever preference system was adopted must take account of the special problems of the least advanced nations. As would be seen from the agenda of the Conference (TD/61), item 15 (Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development) made specific reference to that matter, and in that connexion his delegation had two proposals to make. First, a differential treatment clause for the least developed countries should be included in any system of preferences for the developing countries to

allow for differences in stage of development and for the handicap under which those countries laboured because, for instance, of their geographical isolation. Secondly, the more advanced developing countries should grant more extensive trading facilities than at present to products from countries less developed than themselves so as to provide an equitable sharing of the benefits of the preference system applied by the developed countries and to enable the less advanced countries to make the best use of the preference policy by accelerating their rate of development. It was essential that experts should be appointed, under UNCTAD auspices, to check the existence and determine the extent of the particular economic handicaps that might justify such differential treatment.

4. Afghanistan, a land-locked country, had already begun to study its own peculiar problems. What was now necessary was to pass from the stage of discussion to that of practical action.

**Summary of statement made at the 62nd plenary meeting, 16 February 1968,
by Mr. Belaid Abdesselam, Minister of Industry and Power of Algeria**

1. Mr. Abdesselam (Algeria) said that in the four years since the first session of the Conference, despite all the promises made and the establishment of UNCTAD, the gap between the developed and the developing countries had widened still further. It seemed as though the basic objectives were being lost in a maze of procedure and rules. The time had come to examine once again what was, in effect, a matter of life and death. In so doing, it should not be forgotten that the existing situation had been caused by certain powers acting in their own interests — powers that continued to control a large part of the international economy and to hamper the development of the young nations.

2. It was no mere chance that the economies of the developing countries had not been industrialized; that they were often dependent upon a single commodity; that primary commodity prices were falling; that every effort was made in the developed countries to produce synthetic substitutes; that the investment funds so abundant in the rich countries were rarely forthcoming to help the poor; that the recommendations in respect of technology made at a meeting of UNESCO some years previously had remained unheeded; and that the few scientists and research workers in developing countries were lured away by the terms offered to them by major industrial powers — all of which factors contributed to the problem of under-development.

3. The developing countries realized that international aid was not a universal panacea to their problems and were ready to help themselves, but the developed countries also had to do their share, remembering their responsibility for the present imbalance in the world.

4. If the developing countries were still in the grip of poverty, it was because peace remained the prerogative of the rich countries — countries which were waging war in developing territories. The developing countries were not taken in by the hypocritical contention that such

wars were for their own good. They wished to live in peace, to be able to develop their resources for the benefit of their peoples — if possible, in accord with the more richly endowed countries.

5. Many of the countries that had been forced to fight for their freedom, at great sacrifice, had come to realize that they still had to conquer something perhaps even more important — life itself. They were ready to exert the same efforts if necessary, to ensure a decent standard of living for their peoples.

6. It was pointless at that stage to talk of a global solution to the problems of under-development, for such problems differed from region to region. What was needed was unity of purpose allied to diversity of action, together with a readiness on both sides to make sacrifices.

7. His delegation considered that the Conference should first direct its attention to the solution of three main questions, all expressly dealt with in the Charter of Algiers: first, primary commodities; second, financing; and third, technology, and, as a corollary thereto, professional training.

8. As the first of those questions had already been dealt with in detail, he would merely point to a striking paradox, namely, that although agriculture in the developed countries made a minimal contribution to their national product, and was in fact decreasing, those countries, owing to rapid industrialization, were able to effect the necessary structural reforms without any great difficulty. The developing countries, on the other hand, which would remain dependent upon agriculture for a long time to come, not only had to assume responsibility for the reform of their agrarian structures, but also to finance reform in the developed countries, albeit indirectly, through taxes levied by the latter on the agricultural produce imported from the developing countries. If such taxes were deemed necessary under an agreed joint policy, it was only right that they should be used to

finance such structural reforms as might be needed in the exporting countries. Another paradoxical situation, caused by the division of labour for which the developing countries were in no way responsible, was that some developed countries with a small agricultural output, rather than import their additional requirements from a developing country, turned to another developed country instead — the trade in wine and citrus fruit being cases in point.

9. The developing countries were the repository of vast resources of hydrocarbons; as such, they had become a stage for international intrigue and intervention. Large international combines, anxious to protect their interests, resorted to Machiavellian tactics to introduce dissension among nations whose interest it was, acting collectively, to protect themselves against such endeavours to keep them in a state of permanent dependency. There were attempts to prevent the natural evolution of countries by making it extremely difficult for them to establish national industries — attempts which, in the case of Algeria, although fruitless at the outset, were tending to isolate the country, since its determination to exploit its own fuel resources was regarded as an irritating example of economic independence that might contaminate other countries. There were also endeavours to break up regional groupings such as those the Arab world had been trying to form.

10. Turning next to the question of financing, he said that there had been much talk over the past ten years of the various forms of aid for development. One fact was apparent, however, namely that international aid, even when granted on the most favourable terms, was rendered through a series of "filters" greatly reducing its efficacy. Also, such aid was for the most part directed at infrastructures rather than at productive investment. The obstacles encountered when seeking financial aid had proved that the donor countries or organizations were prompted by ulterior motives aimed at consolidating a new system that must sap the natural resources of the country concerned — an insidious variant of an earlier system of exploitation that had been founded on force.

11. Close study of this vital problem would lead the Conference to learn a lesson from the total failure of the United Nations Development Decade. Industrialized countries had to realize that it was in their own interest to collaborate in a new type of international economic relationship. Those who spoke of the need for the developing countries to inspire confidence only wished to control the economies of those countries through the investment of capital. For the developing countries, confidence meant respect of mutual interests rather than the

payment of small wages in return for vast profits. The time when royalties and low salaries could lull the people's awareness had passed for ever. The Western world had had plenty of time, in the heyday of its supremacy, to accomplish what it claimed it would now do on condition that the developing countries inspired confidence.

12. Nevertheless, despite past disappointments and ample grounds for mistrust, the developing world was ready to look to the future and to co-operate with the industrialized countries in a spirit of mutual respect. Economic and industrial development was not the prerogative of any one nation but mankind's common heritage. To corner the world's resources was a betrayal of that heritage and would ultimately defeat the interests of all. The developing countries were ready to make their modest contribution to a better world; and among their not insignificant assets was an ever-increasing sense of solidarity.

13. The developing countries had come to New Delhi with the will to succeed, but the results would not depend upon them alone. Whatever the outcome of the present session of the Conference, it would have a profound effect on international relations in the years to come. If the peoples of the Third World were to be disappointed yet again, the consequences would indeed be grave. After the close of the Conference, the Group of 77 would have to assess its results and to determine upon the measures to be taken to achieve its aims and to implement the principles enshrined in the Charter of Algiers.

14. It was to be deplored that through political short-sightedness and misunderstanding of present-day realities, the true representatives of the People's Republic of China, of heroic Viet-Nam and of the Democratic Republic of Germany were absent from the Conference.

15. So long as the practices of imperialism, colonialism, *apartheid* and war-mongering continued, true co-operation would never be possible. *Apartheid* was, of course, universally condemned but there were attempts in some quarters to maintain or establish a kind of economic *apartheid* between rich and poor countries. Another form of *apartheid* — which had afflicted the brave Palestinian people for more than twenty years — had recurred in 1967 in an even more hateful form, doing untold harm to the cause of international co-operation and to the developing countries.

16. In conclusion, he affirmed that there was a limit to human patience. To leave the grave questions affecting the developing countries unanswered any longer would have tragic consequences.

**Summary of statement made at the 65th plenary meeting, 27 February 1968,
by Mr. Adalberto Krieger Vasena, Minister of Economy and Labour of Argentina**

1. Mr. Krieger Vasena (Argentina) said that his Government attached great importance to the current session of the United Nations Conference on Trade and Development and sincerely hoped that the discussions would lead to a better understanding of the many complex problems

involved in reaching agreement on a global strategy of development.

2. The results of the first session of the Conference were generally considered to have been somewhat unsatisfactory. But two important steps had been taken on that

occasion: the Conference itself had been transformed into an institution providing a framework in which member States could discuss their problems, and a number of principles designed to govern international trade relations and trade policies conducive to development had been recommended. A considerable amount of work had been done by UNCTAD since then, and he wished to pay a tribute to the efforts made by the secretariat under the leadership of Mr. Prebisch, Secretary-General of UNCTAD.

3. The problems facing the developing countries were many and far-reaching, and it was to be hoped that developed and developing countries alike would be able to reach agreement on suitable measures to solve those problems. The implementation of any measures agreed upon would in the final analysis depend on the political goodwill of the countries concerned. The time had come for the Conference to take action concerning the removal of trade barriers, the transfer of scientific know-how and technology, the modernization of structures, and financial co-operation with a view to levelling out existing differences between the developed and the developing countries and providing for a more just distribution of wealth.

4. A new international economic and financial policy would have to be established. It would not be easy to introduce such a policy; it would call for a change in public opinion and in the attitude of the competent authorities. Many institutional, economic and social obstacles would have to be overcome and new concepts and guidelines worked out. Those concerned in establishing a new economic and financial policy would have to make every effort to be objective. Internal efforts would have to be continued by the developing countries to improve their economic policies. International and national efforts should be made to attack the causes of inflation and to remove the obstacles to development. At the same time the highest priority should be given to capital formation and to the development of the technical capacity of the productive system so as to improve national incomes and employment possibilities. The process of development could best be consolidated by providing for an increase in exports and the stabilization of prices.

5. Developing countries required greater access to world markets for their products. The external resources they obtained from their exports helped them to pay for the increasing volume of imported products required to modernize their industries. Certain industrialized countries had, however, adopted trade policies which seriously threatened the multilateral system of trade relations.

6. His country believed that more benefits were to be derived from a free multilateral economy than could be obtained from restrictive or bilateral trade arrangements. The rules governing a system of multilateral trade should, of course, be strictly observed. Violation might lead to the adoption of defensive measures designed to compensate for the unjustified deviation of trade or the adverse effects of discriminatory restrictions.

7. Argentina did not agree with the idea that countries should be divided into two categories — the rich and the poor. Such a division would be purely materialistic and

would take no account of spiritual and cultural values — which could not be ignored.

8. The benefits derived by developing countries when they became more competitive would be lost if they were deprived of access to world markets. In general, it could be said that restricted development led to very high costs. His delegation considered the liberalization of conditions of access to international markets for goods produced by the developing countries to be of great importance. Wider access to developed markets could not, of course, become a reality unless the developed countries carried out the commitments they had entered into during the first session of the Conference.

9. The Conference must now establish the necessary mechanisms to allow the different categories of primary commodities wider access to world markets. His country considered it highly advisable that those countries which encountered problems in acceding to foreign markets should co-ordinate their international action in that respect.

10. Regarding commodities produced and exported by developed and developing countries alike, generally in temperate zones, it was essential to eliminate tariff and non-tariff barriers and to provide for minimum participation in the developed countries' consumption and production of such commodities. Artificially subsidized production led to import restrictions on products which could be economically produced and exported by developing countries, and in some cases to the creation of surplus stocks which affected unfavourably the normal currents of international trade to the detriment of the developing countries. It was disappointing to note that agricultural production had not been given the importance it deserved. The protectionist agricultural policies of the developed countries were, in his opinion, at variance with their own interests.

11. It was to be hoped that consideration of the problems affecting primary commodities produced in tropical regions and exported exclusively by developing countries would lead to world agreements for the expansion of exports of those commodities.

12. Attention would also have to be given to the discriminatory preferences granted by some developed countries to some developing countries. The Conference should work out suitable ways and means of providing such financial and technical assistance as would lead to the elimination of discriminatory preferences.

13. Argentina regarded the world food problem as of particular importance. It considered that the increase of subsidized production in the industrialized countries had adverse consequences on the developing countries; that the natural resources of the world were not being used to the fullest possible extent; that developing countries which exported food products were discouraged from developing their production; and that international price levels were adversely affected. To be effective, food assistance should be accorded on a temporary basis and organized in such a way that receiving countries would gradually be able to increase their production and thus increase their purchasing power. In that connexion attention would have to be given to the possibility of absorbing bilateral aid program-

mes into a multilateral aid programme. The mechanism required for a programme of multilateral food aid would have to be provided with resources from contributions in cash and in kind.

14. His country had granted food aid on a bilateral basis to developing countries and was ready to participate in a multilateral aid programme. Such multilateral assistance should make it possible to reconstruct the world food market. The existence of multilateral arrangements should lead to a better balance of production and to improvements in world prices and in the incomes of farmers. It would be of considerable assistance in solving the world food problem.

15. Regarding the establishment of a general system of preferences, he believed that the Conference had now reached a point when it should determine the factors on which such a system ought to be based. It should then agree on the date and place of a meeting of government experts to establish procedures for the application of the system. Two points required careful consideration in that connexion: safeguard clauses and the means of verifying the origin of products. Those points were as important for the countries which granted the preferences as for those which received them.

16. The Kennedy Round of trade negotiations had reached conclusions likely to liberalize trade, but the benefit of its findings would be felt mainly by the industrialized countries. His country therefore believed that the developed countries should take steps within the framework of GATT to reconsider the problems affecting the access of primary products to the developed markets. Negotiations in GATT should lead to the elimination of trade restrictions and thus enable the developing countries to receive the benefit of trade liberalization.

17. Regarding a new financial co-operation policy, he stressed the need to bring the economic and financial philosophy of the Bretton Woods agreements up to date. The success of concerted action to reconstruct Europe taken on the basis of those agreements more than twenty years previously was an extraordinary achievement. At present the problems were quite different and a new strategy of external co-operation to support the internal efforts of developing countries needed to be worked out. Particular attention should be given to the means of increasing external aid and preventing steps taken by the industrial countries to improve their balance-of-payments situation from hindering the movement of capital towards the developing countries.

18. His delegation greatly appreciated the excellent preparatory work done by the IBRD under its President, Mr. Woods, to devise a supplementary financing scheme.² The adoption of the scheme should not affect the amounts earmarked for the so-called "basic financing". Argentina fully agreed with Mr. Woods (51st meeting) that the transfer of financial resources for development purposes should be increased. It believed that the scheme should be administered by the IBRD. Both the developed and the developing countries should benefit from it.

19. The need to improve loan conditions had already been generally recognized at the joint annual meeting of IMF and IBRD³. His country was highly conscious of the fact that the internal efforts which would have to be made by the least advanced countries would constitute the fundamental part of a new form of international financial co-operation. Its economic programme was based on that idea. It was making every effort to modernize its internal economic and social structures.

20. Greater access to the capital markets of the developed countries was also of great importance. That form of financing, as well as direct private investment, could be of great assistance to the developing countries. The technical know-how which came in the wake of such investment was also extremely useful. Capital fluidity facilitated international payments adjustments and encouraged further investment flows. That point was of particular importance to the developing countries.

21. He believed that special provisions should be made to counter the adverse effects on developing countries of measures adopted by industrialized nations to strengthen their balance-of-payments position. Within the framework of a new financial co-operation policy the developing countries could also assist the least developed among them. His country had recently entered into co-operative arrangements with Latin American countries in that connexion.

22. Referring to the economic and social transformation of Argentina, he said that his country was making every effort to achieve monetary stability and to expand its economy. A concerted attack had been made on the causes of inflation. Productive investments were encouraged and substantial improvements had been made in the public sector. The liberalization of the exchange system and the progressive lowering of the level of protection of national industry made for greater interdependence with world economy. The internal efforts made had led to very positive results. External monetary reserves had increased considerably, and conditions favourable for both national and foreign investors had been created. A main feature of the programme was the effort to render the management of public bodies and state enterprises more efficient. The Government was building up an efficient administrative system and making every effort to modernize administrative procedures. Considerable investments were involved in the reorganization of its administrative machinery and the implementation of projects in certain basic sectors. He believed that the efforts made by Argentina showed how inflation could be checked without prejudice to economic growth. The main factors required were the will of the competent authorities to modernize the country, and public support. External assistance should be considered as complementary to national efforts.

23. He very much hoped that member States would assume their responsibilities and concert their efforts to achieve the objectives they had set themselves. The developing countries were ready to play their part in improving their own situation. They fully understood

² *Supplementary Financial Measures — a Study requested by the United Nations Conference on Trade and Development, 1964 (International Bank for Reconstruction and Development, December 1965).*

³ See IMF, *Summary Proceedings, Annual Meeting, 1967.*

that they were mainly responsible for developing their own economies, but they also knew that they could only obtain the resources and technical assistance enabling them to exploit their potentialities through concerted international action.

24. Scientific discoveries had provided mankind with

some astonishingly powerful instruments, and it was to be hoped that they would be used to good purpose. He personally believed that the Conference would persevere in its efforts to overcome the problems before it and to work out a more equitable and fruitful system of international economic relations.

**Summary of statement made at the 46th plenary meeting, 7 February 1968,
by Mr. J. McEwen, Deputy Prime Minister and Minister for Trade and Industry of Australia**

1. Mr. McEwen (Australia) said that he was speaking not only on behalf of Australia but on behalf of one of the least developed of developing countries—Papua and the Trust Territory of New Guinea—for whose development Australia had special responsibilities under the United Nations Charter. In the discussions, and particularly in those on commodity policy and commodity agreements, Australia would press for conditions that took the circumstances of these territories fully into account.

2. UNCTAD was now an established international institution, with four years of experience behind it. During those four years, it had become apparent that the 5 per cent growth target envisaged for the Development Decade could not be achieved, whilst the terms of trade of the developing countries had deteriorated by about 11 per cent since the mid-1950s. Tremendous problems of poverty, malnutrition, unemployment and underemployment continued to affect millions of people on the earth. That was depressing, but it was also a challenge; needs must be matched with action — urgent and concerted action.

3. The question of preferences for manufactures and semi-manufactures was one on which Australia believed that progress must be made at New Delhi. At the first session of the Conference he had said that what was required was action to offset the initial competitive disadvantage of many developing countries which were newcomers in the business of exporting manufactured products. Those were more than words, because Australia had taken action. In 1966, it had introduced, in favour of developing countries, a system of selective tariff preferences for manufactured and semi-manufactured products. At the same time, preferential duty free entry was granted for certain products of the cottage industries of developing countries. That system had been kept under constant review and, as opportunity offered, the number of products covered and the annual quotas available had been expanded, taking into account requests received from developing countries for the inclusion of particular products of interest to them. In 1967, the total of the annual quotas available had been increased by some 50 per cent, and from 1 July 1968 more products would be added to the preference list. By taking that initiative, Australia had shown that preferences were a practical and workable way of helping developing countries. If the great industrial countries were to take the same action, the benefit to the developing countries would be magnified many times. Australia had a population of only 12 million;

the total population of the countries in Groups B and D was approaching 1,000 million.

4. Aid, on which many countries were dependent for their continued development, would be an essential element in developing for a long time ahead, but it was no substitute for equitable trading opportunities. The objective should be to achieve some meaningful progress on how best to improve the terms and conditions of aid. For some developing countries, the problem of indebtedness was fast reaching the stage where any real, long-term benefit was completely disappearing.

5. Australia's aid took the form of outright gifts. Over the past six years, aid given by the Australian Government had more than doubled, to the point where in terms of percentage of national income devoted to aid, Australia now ranked among the first three countries in the world. In 1967-1968 Australia's aid expenditure was expected to increase by a further 14 per cent to about 0.75 per cent of the national income.

6. However, emphasis should be placed at the present session of the Conference not on continued massive aid payments but on improved trading opportunities. Australia understood very well the problems created by deterioration in the terms of trade. Like the developing countries, it depended on a very narrow range of primary products for its export earnings, over 80 per cent of which came from the products of its farms and mines. Since 1953, Australia's terms of trade had deteriorated by 22 per cent, so that it lived with an ever-present balance-of-payments problem.

7. The great Kennedy Round had recorded some significant achievements, but most of them were in the area of industrial trade. There was a long way to go in the area of commodity trade before countries like Australia could regard the situation with any satisfaction. The present session of the Conference had the opportunity and obligation to inject a greater sense of urgency into the search for solutions to the problems of commodity trade. It was Australia's strong desire that international solutions would shortly be found for such commodities as cocoa and sugar. To take the case of sugar; there was not one developed country that expected its farmers to produce and sell sugar at the so-called "world" price of £24 sterling per ton for raw sugar delivered in London. All the major industrial countries paid their producers about double that price. The long drawn-out negotiations for an international sugar agreement had shown the problems and difficulties very clearly. He was most disappointed at the absence of any really forthcoming

attitude amongst the developed countries to the obvious and urgent problems on sugar.

8. Only about 10 per cent of total world production was sold at the so-called world price. Farmers in Australia and other countries had to be given substantial help by Governments to enable them and their families to survive economically. In the last two seasons the Australian Government had had to provide assistance amounting to \$US 27 million to its sugar farmers. The loss of income in sugar districts in producing countries was a tremendous burden on the farmers. It was also a great strain on the economies of those countries. That was a terrible responsibility for countries standing in the way of an agreement. Sugar producers had taken heart from the announcement that a United Nations Sugar Conference would begin on 17 April and he sincerely hoped there was no truth in the rumour that it was again to be postponed. UNCTAD would reflect great credit on itself if the sugar conference was a full success.

9. Early action would also have to be taken to overcome the trade problems in regard to coa, oil-seeds, vegetable oils, bananas, rubber, sisal and hard fibres — to mention only some of the commodities listed by the developing countries themselves in the Charter of Algiers. He hoped, too, that the discussions at the current Conference would stimulate and accelerate discussions being conducted in other places, such as GATT to find worldwide solutions for trade in commodities such as dairy products and meat.

10. Trade promotion was another good example of an area where progress must be made at the Conference. No matter what measures were taken to increase the export opportunities of the developing countries, they still had to sell in competition with other countries. Australia therefore welcomed the establishment of the joint UNCTAD/GATT International Trade Centre; it also saw great merit in the proposal for the establishment of regional trade promotion centres, working on the spot

with the people and problems directly involved. In the beginning such regional centres might need to be modest and care would need to be taken to avoid unnecessary duplication.

11. Action by the developing countries to expand their trade with each other should be another very important part of the discussion at the Conference. Australia was ready to help in working out practical proposals that would enable developing countries to help each other. There must be a determination at all levels in the developing countries themselves to make the best possible use of the resources they already had, were given or were lent. Efforts to foster development would not succeed unless they were matched by a high level of administrative efficiency, one aspect of which was training. Australia would help in that direction where it could.

12. Australia had a very special interest in the activities of UNCTAD. That was not only because of its concern over the problems of the developing countries. As Australia shared many of those problems, it occupied a position somewhere between that of the great industrialized countries and that of the developing ones.

13. The New Delhi Conference should be epoch-making, and all countries represented must strive to make it so. It was being held against the background of a world charged with tensions arising out of a variety of situations which generated almost explosive political confrontations. Few of the Governments represented were not involved, either as principals or by their political attitude towards those situations. There was a grave temptation to continue the wrangle. But if the Conference allowed itself to be diverted from trade and development, it would fail. It would be untrue to the millions who were looking to it to help them to assuage their hunger and to give them a glimpse of a better life. Australia was anxious to play its full part in finding solutions to the problems of world trade and development. It would be as constructive and helpful as possible.

**Summary of statement made at the 44th plenary meeting, 6 February 1968,
by Mr. Kurt Waldheim, Minister of External Affairs of Austria**

1. Mr. Waldheim (Austria) said that the Conference had three main objectives, namely to appraise the economic situation, to negotiate on certain matters which were ripe for action, and to consider long-term problems and plans for future action.

2. The Austrian Government had carefully studied the Charter of Algiers (TD/38), which represented a remarkable contribution to the Conference, and had been glad to receive the Goodwill Mission of the representatives of the Group of 77.

3. Among the most urgent problems was that of the developing countries' commodity exports. The Austrian Government held the view that commodity agreements were a useful means of stabilizing the export earnings of the developing countries. It was glad to note that the "commodity-by-commodity" approach which it had

always advocated appeared to be generally approved and it supported UNCTAD's efforts to study the possibility of concluding new agreements. His country was a party to numerous commodity agreements. It had actively participated in the negotiations concerning cocoa and hoped that they would shortly resume and reach a successful outcome.

4. With regard to expansion of trade in manufactures and semi-manufactures, the developing countries attached great importance to the granting by the industrialized countries of tariff preferences in respect of imports from developing countries. Austria supported in principle efforts aimed at the introduction of such a system of preferences. Those preferences should be granted for a limited period only and should be applied by all the developed countries. The Austrian delegation hoped that

the granting of preferences would not constitute an obstacle to unilateral or multilateral tariff reductions based on the most-favoured-nation clause. Special measures should be taken to assist the least developed countries and Austria was prepared to join in any efforts to solve that particular problem.

5. In conformity with the decision taken in connexion with the Kennedy Round, the Austrian authorities had been able to draw up a detailed list of products which were of special interest to developing countries and in respect of which tariff reductions would speedily be applied.

6. As a consequence of the Kennedy Round, 66 per cent of Austrian imports from developing countries would benefit by tariff reductions and, in the industrial sector, the proportion would be as high as 92 per cent. In respect of tropical products, tariff reductions would in many cases amount to more than 50 per cent.

7. The expansion of trade among developing countries on a regional or inter-regional basis should usefully supplement any preferential system. UNCTAD was in a particularly favourable position to stimulate the action needed in that field. If it was to be fruitful, trade liberalization should be accompanied by a liberalization of payments, but regional integration of developing countries should also be accompanied by measures to liberalize their trade with the industrialized countries.

8. Furthermore, the industrialized countries might consider undertaking the transfer of technical know-how and experience in respect of economic integration, and provide financial aid, preferably through regional or international organizations. The regional development banks had an important part to play in that regard.

9. Practical steps by the developed countries should be preceded by a clear statement of the intentions and policies of the developing countries. The Austrian delegation therefore supported the appeal by the UNCTAD secretariat to developing countries to put forward a specific programme of action designed to increase their trade and economic co-operation. The industrialized countries would have to give a clear indication of their agreement on the basis of such a programme of action. Within the limits of its possibilities, Austria was prepared to support all efforts to that end.

10. The Austrian delegation believed that further progress could be made in expanding trade between countries with different economic and social systems, including East-West trade. The work of the Economic Commission for Europe and of the UNCTAD secretariat in that field was of particular importance.

11. The Austrian delegation welcomed the agreement which had been reached between the Secretary-General of UNCTAD and the Director-General of GATT on the subject of the joint International Trade Centre.

12. It was Austria's policy to improve its trade relations with developing countries and it had taken important steps to implement that policy. Whereas its balance of trade with those countries had formerly shown a surplus in its favour, it now had a deficit. Furthermore, while its imports from the developing countries still consisted mainly of raw materials, there had recently been a substantial increase in imports of manufactures and semi-manufactures. There had been a liberalization with respect to industrial products as called for by GATT. In the agriculture sector, quantitative restrictions had been abolished in respect of all tropical products and only some restrictions still applied to temperate zone products. Those restrictions were applied in a very liberal manner.

13. Thanks to Austria's liberal import policy in recent years, exports of commodities from the developing countries had increased by 30 per cent during the period 1965-1966.

14. With reference to the capital flow to developing countries, Austria was fully conscious of the need to increase the volume of aid: it had therefore adopted a series of measures in its bilateral aid plan aimed at improving the position by extending the period of grace from three to five and even seven years, as well as the time-limits for repayment. It had also considerably increased its contribution to the international financial institutions. It had participated in the replenishment of the resources of IDA and it viewed with favour the recent appeal by the General Assembly for a further strengthening of that institution's resources.

15. In the field of technical assistance, Austria had made a considerable effort in training nationals of developing countries. Nearly a quarter of its university students were foreigners. Most of them came from the developing countries and many of them received fellowships from official or private sources.

16. In conclusion, his delegation hoped that international efforts to promote economic and social development throughout the world would, in future years, cease to be just the sum of separate activities by industrialized countries and international agencies, and merge with the policies and aspirations of the developing countries into a comprehensive approach to development. That was a task demanding all-round co-operation, particularly from such international organizations as UNIDO and UNCTAD, and one that had Austria's full support.

**Summary of statement made at the 62nd plenary meeting, 16 February 1968,
by Mr. J. C. King, Deputy High Commissioner for Barbados in the United Kingdom**

1. Mr. King (Barbados) said that his delegation attached particular importance to the position of small States with regard to trade and development problems. The economy of Barbados was primarily agricultural and was

based on a single crop, sugar. Export earnings from sugar and its by-products represented as much as 80 per cent of total domestic exports. In recent decades, his country had been at the mercy of low and uneconomic world prices

and had been saved from complete ruin only by the protective arrangements of the Commonwealth Sugar Agreement negotiated with the United Kingdom Government. He appealed to the developed countries to give very careful consideration, before removing seemingly restrictive elements, to the effect on the economies of developing countries of existing preferential or protective arrangements.

2. It was regrettable that an international sugar agreement designed to stabilize prices and supplies and to provide reasonable returns to producers had not yet been set on foot, and his Government pinned high hopes on the conference to be convened for that purpose in April 1968. In view of the considerable amount of preparatory work already done, the task of the conference should consist of more than identifying the points of divergence and reconciling them. It was certainly not beyond the capacity of the participants to find a workable solution to the world sugar problem in the context of the generally accepted principles of market and price stability and remunerative returns to producers.

3. An aspect which needed to be more strongly emphasized than had been the case thus far, was that of the development of human resources. Developing countries were rich in human resources which, like any other resources, were useful only when developed. Too much stress had perhaps been laid in the past on the technical aspect of trade development to the detriment of reflexion on how the ability of the people of the developing countries could be trained and utilized.

4. The present-day world had the responsibility to correct the accidents of history and geography, whereby the globe had been divided into small and large States, rich and poor countries.

5. Barbados did not rely only on protective sugar arrangements for its development, but was seeking to diversify its economy both in the agricultural sector and in other spheres. Tourism was an important export earner. Industrial development was in its first stages, but the measures being discussed in the Second Committee of the Conference were important for the future of his country. Developed countries possessed technical know-how and capital; developing countries possessed manpower and the will to develop. What was needed above all was more manpower training and greater understanding of human problems.

6. Population movements from the developing to the developed countries were relevant in that connexion, since

if properly organized they could provide a valuable means of training manpower and developing human resources. Movements from Barbados — both to developing countries such as Brazil, Cuba and Panama, and to the developed countries, such as the United States of America, the United Kingdom and Canada — had, in the past, proved mutually advantageous; but severe immigration restrictions had since been imposed in some cases. His Government had therefore welcomed the Canadian Government's liberalization of its immigration laws which, although universally applied, held particular significance within the context of the regional economic group arrangement existing between Canada and the Commonwealth Caribbean countries. Barbados would continue to strengthen its links with Canada and with its neighbours in Central and South America.

7. Supporting the proposals of the representative of Trinidad and Tobago (55th meeting) in respect of a plan to remove immigration barriers, he suggested that arrangements be included in the plan to train people from developing countries in areas that would best fit them for an effective contribution to development in their own countries. His delegation also agreed with the Australian representative (46th meeting) that efforts to foster economic development would succeed only if matched by a high degree of administrative efficiency in the developing countries. In Barbados, where the development of manpower resources was regarded as a prime objective, a system of free education up to university level had been introduced to that end and citizens had been granted the right to vote at the age of eighteen.

8. As the Secretary-General of the United Nations had stated in his address to the Conference at the 51st meeting (TD/67), the world was entitled to expect a clearer definition of the objectives to be achieved in the longer run and an indication of the practical steps which each country and group of countries intended to take for the purpose. That was the issue facing the Conference. If peace and prosperity were deemed to be the ultimate aim — since poverty threatened the security of the rich and poor nations alike — his delegation would suggest that the development of human resources receive high priority consideration. What was needed was a world economic development plan which all nations would pledge themselves to support, but the human resources available were still not sufficiently developed for the purpose. His delegation therefore trusted the Conference would find time to look into that problem and rise to the challenge.

**Summary of statement made at the 53rd plenary meeting, 10 February 1968,
by Mr. P. A. Forthomme, Permanent Representative of Belgium to International Economic Conferences**

1. Mr. Forthomme (Belgium) apologized for the absence of Mr. de Winters, Belgian Minister of Commerce, who had had to return to Brussels.

2. When the Goodwill Mission from the Ministerial Meeting of the Group of 77 had come to see him, Mr. Harmel, Belgian Foreign Minister, had been able to assure it that public opinion in Belgium was already convinced of the

need for development co-operation and that a Government programme for that purpose was being worked out covering technical co-operation, financial assistance, world trade and bilateral and multilateral activities. The programme, which was mainly based on activities already in progress, had since been completed and approved. It would expand and improve Belgium's contribution to development.

3. Since many documents had been received too late for adequate study, he would confine his comments to three; the report on the work of the Trade and Development Board, made by the President for 1967—Mr. Jolles;⁴ the report by the Secretary-General of UNCTAD and the Charter of Algiers.

4. Mr. Jolles's report had stressed that one could not hope to do everything at once: if that were remembered, the discussions at the second session of the Conference would gain in depth and demonstrate that politics—even international politics—was the art of the possible.

5. Speaking at the OECD, the Secretary-General of UNCTAD had distinguished two stages in the development process and said that when the time came for developing countries to pass from one to the other, it would be necessary for them to change their economic and social structure very radically and fundamentally modify their attitude to development. To solve the problem, he had said, required not only the co-operation of the outside world, but the elaboration of a long-term programme combining external measures with measures to be taken by the developing country itself. And he had stressed the absolute necessity of ensuring the convergence and the synchronisation of the two types of measures.

6. In his report, the Secretary-General of UNCTAD had analysed in detail the ideas of convergence and complementarity and the internal and external difficulties of the developing countries and from that analysis he derived the outlines of a "global development strategy". He regarded such a strategy as indispensable because, under existing world conditions, the Third World countries could not develop, as it were, absent-mindedly as the old industrialized countries had done. But while it was good to see problems as a whole and take account of their interactions, to work out and apply such a strategy was no easy road to painless development. It did not mean trying to do everything at once. The Secretary-General of UNCTAD had warned that to determine a desirable growth rate for a country did not mean that it was feasible, and that since international resources were limited, they must be put to the best use.

7. The report also stated very clearly that global strategy did not avoid the need for effort on the part of the developing countries, in particular, the reform of structures; it aimed merely at hastening the process which the industrialized countries had had to go through. That was highly realistic, but it raised the question of how and how far the developing countries could learn from the experience of the advanced countries. The Secretary-General of the United Nations, in "The Development Decade at Mid-Term",⁵ had said that, in the existing situation in the developing countries, the vast mass of modern technique was not always an unmixed blessing. Techniques designed for other societies and other periods did not always coincide with the current needs of the new States.

8. Three groups of industrialized countries could be distinguished which had followed different, if parallel,

roads to development: the Western, the East European and the Japanese. But all of them had attained their present situation only at the cost of painful efforts, in particular, in doing away with the "*anciens régimes*". It seemed unlikely that the developing countries could determine their objectives simply by taking one or other of the industrialized countries as a model. However, the fact that they were starting their development at the present time gave them certain advantages.

9. Most people today accepted the view that everybody was entitled to a fair share in the social product and opportunities for self-realization; and that view underlay the wide public support in the industrialized countries for development co-operation. But such co-operation would be no more than a charitable share-out were it not for modern technology and the fabulous increase of productivity which made the establishment of social justice throughout the world a practical proposition.

10. The experience of the industrialized countries and international co-operation should make it possible for the developing countries to avoid many mistakes and blind alleys. Not merely because they did not have to build up their technology from scratch, nor because their own accumulation would be supplemented by substantial financial assistance, but because the results of previous development make it possible to judge between the good and the bad.

11. But the task of the developing countries remained a difficult one. Their strong sentiment of individuality, and the need to preserve and strengthen it, would lead to the same doubts and anxieties as those experienced in the past by the advanced countries when faced with the destruction of familiar and traditional institutions, customs and ways of life. To overcome those anxieties, the developing countries must clearly set forth their real objectives and persuade their whole population to share them and strive for them so that all would take part in building up the new structures, which would be creative in so far as they correspond to the temperament of the people. Clearly-conceived objectives would also have the advantage of facilitating comprehension by other countries, so that they could form the basis of common and practical strategies.

12. The Charter of Algiers was an impressive, not to say formidable, document. It began with an indictment which was followed by a list of demands. It gave an impression of lack of balance, both because the parts devoted to the efforts of the developing countries themselves were short and vague and because the concern for national sovereignty, very noticeable in respect of those countries, was largely lacking so far as the industrialized countries were concerned. It appeared to be thought that the latter could be bound by a network of unilateral obligations without creating any difficulties or problems. But that was not so.

13. The second part of the Charter was a programme of action which, even if it could not be put into force, was the most complete available and a useful contribution to the work of the Conference.

14. With regard to primary products, he continued to favour the commodity-by-commodity approach, despite

⁴ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*.

⁵ See *Official Records of the Economic and Social Council, Thirty-ninth Session, Annexes, agenda item 2, document E/4071*.

the meagre results it had produced so far. His delegation keenly regretted that a cocoa agreement had not yet been concluded and hoped that it soon would be. It also hoped that the difficulties threatening the International Coffee Agreement would soon be smoothed out. The objective should be to limit, if not abolish, price fluctuations and increase producers' receipts. Price stabilization was in the interests of both producers and consumers.

15. It seemed somewhat theoretical to speak of maintaining export purchasing power in view of the constant changes in price relations between commodities and manufactures and within the group of manufactures itself. It might be better to seek to increase world consumption, which would be the best method of ensuring higher receipts to producers. The liberalization of trade would contribute to such an increase, particularly if it were not confined to the markets of the developed countries.

16. Diversification merited close attention; but the real problem was to promote integrated development in each country and not merely to seek one or two replacement activities.

17. An agreement in principle on a preference system for manufactures and semi-manufactures imported into the developed countries was not far off; but much work remained to be done on questions of structure and procedures. The other parts of the Charter dealing with manufactures required further study, both at the Conference and subsequently.

18. His delegation had always attached great importance to the question of export promotion in the developing countries. Market research was equally important for primary products and for manufactures, in the developing as in the developed countries. The Belgian delegation welcomed the creation of the joint UNCTAD/GATT International Trade Centre and would collaborate wholeheartedly with it.

19. Considerable progress had been made in connexion with development finance, and a tribute should be paid to the OECD Development Assistance Committee. Some order should be introduced and priorities established among the mass of suggestions—of unequal value—which had been put forward concerning the financing of various operations. Account must also be taken of bilateral and regional aid flows which ought to be maintained. It was necessary to stick to actual possibilities, because no country could undertake unlimited responsibilities. The guideline, at the moment, was one per cent of national income; and that should be adhered to.

20. The Charter of Algiers referred not only to the volume of transfers, but also to terms and methods, i.e. the quality of aid. But to ensure the progress of the beneficiary countries, attention should also be paid to quality in the utilization of aid. He hoped that the discussions would strengthen collaboration between donors and beneficiaries with a view to ensuring the maximum efficiency of their common efforts. The idea of the Secretary-General of UNCTAD concerning the convergence of internal and international resources should be kept in mind in that connexion.

**Summary of statement made at the 58th plenary meeting, 14 February 1968,
by Mr. Remberto Capriles Rico, Permanent Representative of Bolivia to the United Nations**

1. Mr. Capriles Rico (Bolivia) said UNCTAD's record over the past four years was encouraging. Having undertaken the study of some major trade and development problems, and possible solutions thereto, it could now look forward to reaping the benefits from its initial work, provided, of course, that the necessary political decisions for national and international action were forthcoming.

2. One fact that should be constantly kept in mind was the population explosion which, linked with poverty, constituted a grave threat to world peace. The only solution lay in economic and social development, and the task of the second session of the United Nations Conference on Trade and Development was to work out an international policy to that end. As the Secretary-General of UNCTAD had observed a United Nations Development Decade had been declared, but no development policy had been formulated. A single conference could not find all the answers; those problems must be dealt with that were ripe for prompt action, while paving the way for advance in other areas.

3. With regard to primary commodities, it was important to ensure that short-term solutions did not conflict with the long-term measures required, although the long-term aim of increasing developing countries' foreign

exchange earnings, for example, would in fact be served by immediate steps to eliminate excessive price fluctuations.

4. International agreements on primary commodities having proved their worth in controlling price fluctuations, the Conference should now agree on a time-table for negotiations on those commodities calling for special attention. For the remaining commodities, working groups should be set up with a view to creating the necessary conditions for the negotiation of agreements.

5. The Third International Tin Agreement provided an interesting example. Some of the general principles adopted at the first session of the Conference had been embodied in that Agreement, when re-negotiated in 1965. However, that Agreement could serve as a truly effective instrument of international co-operation if, in addition to the prevention of price fluctuations, it took account of such long-term aims as the increase of output and productivity, for which programmes of technical and financial co-operation would be required in the producer countries. Experience with tin and other minerals had shown that a guaranteed price alone was not enough to ensure a balance between production and consumption; many other factors had to be borne in mind, all raising

problems that called for substantial funds which the developing countries could not themselves generate.

6. As the main means of stabilizing prices, the International Tin Agreement had adopted the system of a stabilization reserve to which only the producer (or developing countries) contributed. In view of the financial burden involved, his delegation considered that consumer countries should also contribute to the reserve, though not necessarily to an equal extent, or that a central fund should be set up; international finance bodies could also help.

7. The practice of some developed countries in the accumulation and disposal of strategic reserves merited special attention. Steps should be taken to ensure agreement on the criteria approved by the first session of the Conference in that respect, since the existence of strategic reserves, and their disposal on a purely unilateral basis were a permanent threat to market stability. Such practices had led to the paradox of traditionally consumer countries competing with the developing countries in selling goods originally produced by the latter. Such activities had more than once interfered with the operation of the International Tin Agreement's stabilization reserve.

8. In general, countries whose economies largely depended on the export of non-renewable primary commodities should receive priority attention, particularly in terms of financial and technical aid for diversifying exports and increasing foreign exchange earnings. Also, it should not be forgotten that certain minerals were produced at a high social cost; expert estimates indicated that a Bolivian tin miner could not count on more than six years of good health. Tin mining in Bolivia, which was the country's main source of foreign exchange earnings, exacted a toll in the form of several thousand disabled workers.

9. His delegation had earlier expressed its concern at the large number of developing countries not trading in manufactures and semi-manufactures. Any system of non-reciprocal general preferences to benefit all developing countries should therefore provide for special treatment for the relatively less developed countries. A system of temporary preferences was unlikely to stimulate investment in new industrial activities, and would have to be supplemented by plans for investment and for financial and technical co-operation also for the special benefit of the relatively less developed countries. In that connexion such international organizations as UNIDO could play a significant part.

10. The main thing now was to approve measures for ensuring the application of General Principle Fifteen, adopted by the first session of the Conference,⁶ relating to the flexibility needed in international policies for trade and development. There should be more vigorous international co-operation in respect of the relatively less developed countries; some valuable suggestions in that connexion were given in documents TD/17 and Corr.1 and TD/17/Supp. 1. A plan of co-operation for the benefit of those countries should lay special emphasis on investment policy, financial and technical assistance, and the development of industry and of the infrastructure. Useful guidelines were to be found in the report prepared by fifteen countries at the meeting of the Group of 77 in Geneva in December 1967. Criteria should also be agreed which would allow the formulation of appropriate methodology for the special adjustments required in respect of the relatively less developed countries.

11. UNCTAD should also agree on measures of co-operation for the benefit of land-locked countries—a question dealt with in both the Charter of Algiers (TD/38) and document TD/17 and Corr. As a land-locked country, Bolivia was seriously hampered in its trade expansion and economic development. Technical and financial assistance for carrying out special studies should therefore be made available forthwith to all such countries; meetings of specialists to agree upon international action should be held, and the Secretary-General of UNCTAD should co-operate with other international bodies in helping land-locked countries to determine the measures needed. One of the principles adopted at the first session of the Conference in respect of land-locked countries (Annex A.I.2, Principle VI),⁷ stressed the need for regional and international agreements — a recognition of the need for international action in the matter.

12. Many of the problems of trade and development had been identified. What was needed now was effective action, with the participation of the whole international community. Most of UNCTAD's interest and efforts in the coming years should be concentrated on changing the international economic structure with a view to ensuring a higher income for developing countries and better living conditions for their peoples.

⁶ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 22.

⁷ *Ibid.*, p. 25.

**Summary of statement made at the 40th plenary meeting, 5 February 1968,
by Mr. José de Magalhães Pinto, Minister of Foreign Affairs of Brazil**

1. Mr. de Magalhães Pinto (Brazil) said that while the developed nations were seeking closer mutual co-operation in order to enjoy their accumulated wealth in security, the rest of the world found itself in a turmoil as a result of widespread dissatisfaction with sub-human living conditions. World peace, however, could not be limited to

co-existence among the great, but required the balanced progress and welfare of all nations.

2. His own country, while conscious of the fact that development was primarily a national process, thought that the Conference should strive for a parallel modernization of international trade structures so that internal

efforts would not be frustrated by artificially created external obstacles. One of the areas in which such obstacles had considerably increased was technology. With respect to nuclear energy, for example, the major Powers still followed a monopolistic policy which in practice amounted to denying developing countries the right to acquire and perfect a technology of their own. At the same time, they insisted on imposing on the developing countries a discriminatory system of international control which would divide the countries of the world into two categories: those entitled to utilize nuclear energy for all purposes, even for military ends, and those that could not develop all the uses of the atom, not even for purely peaceful purposes. His country could not accept that situation.

3. The inequities resulting from an age-old system of discrimination were most evident in international trade. The great merit of the first session of the Conference had been to bring out in a dramatic way the inequity of trade relations between the northern and southern hemispheres and to point up the fact that in economic matters the industrialized and the developing nations tended to unite in two separate camps, independently of ideological considerations. At present, the poor countries, through their trade, were contributing to the accumulation of wealth in the industrialized nations, a process which might be compared to a blood transfusion in reverse, from the weak to the strong. If Brazilian exports in 1967 had been valued at 1953 price levels, his country's foreign exchange revenue would have amounted to \$US 2,500 million, or \$US 800 million more than it had actually received. In other words, during the period from 1954 to 1966 Brazil had lost the equivalent of \$US 5,000 million, more than all the foreign assistance received by it during the same period.

4. The terms of foreign aid had steadily deteriorated as a result of the increase in interest rates and the reduction of amortization periods. Furthermore, if the losses accruing from tied loans and other factors were deducted, the real value of aid could be estimated at about 60 per cent of its nominal value. The second session of the Conference should not, therefore, relax its efforts to reformulate the rules of trade, which had been the basic objective of the first session.

5. He noted that the Havana Charter, adopted by the United Nations Conference on Trade and Employment in 1948,⁸ which contained some elements of interest to the developing world, had not met with the approval of the very countries that had prepared it. Since GATT, which had been established as a result of that Charter, had benefited only those countries which held the major share of world trade, the developing world was anxious to establish some broader forum which would be more representative of their interests and not associated with static philosophies. They had expected that UNCTAD would provide such a forum but their expectations had unfortunately proved illusory. The recommendations of the first session of the Conference had been systematically ignored or disobeyed. The world had witnessed the

successive failure of one United Nations Sugar Conference and two United Nations Cocoa Conferences because of the refusal of the developed countries to make even minimal concessions. There had been a similar failure in the field of international finance, the volume of which had remained stationary while its terms and conditions had deteriorated. Outside UNCTAD, the Kennedy Round, which might be considered a success from the point of view of the developed countries, had brought insufficient benefits to the developing countries.

6. His delegation hoped that the present session of the Conference would lead to formulas for practical action and not to purely symbolic declarations of intent. It felt strongly that the Conference should first approve a set of norms to guide subsequent negotiations in 1968 for the adoption of a system of preferences for exports of manufactured goods from the developing to the developed countries. That system should apply to all industrialized nations, cover all sorts of manufactured goods, include all developing countries without discrimination and exclude any form of reciprocity. The new system should not, however, create a new international division of labour in which the developing countries would become mere exporters of unsophisticated manufactured goods; it should be of a dynamic nature and should lead to the steady expansion and improvement of their industrial processes.

7. On the other hand, international trade in primary commodities must be stabilized, since for a long time to come commodities would continue to be the main source of external revenue for the developing countries. To ensure their commodities free and unimpeded access to the international market, protectionist policies, export subsidies and the restrictive policies on consumption applied by the rich nations must be eliminated. The growing participation of the industrialized countries in trade in primary commodities was against the recognized rules of free trade and was as serious a threat to the developing countries as the deterioration in their terms of trade. The Conference should, therefore, adopt a solemn resolution on the establishment, within specific short-term target dates, of a programme for the negotiation of commodity agreements. Those agreements should guarantee equitable, remunerative and stable prices and should contemplate the financing by international agencies of buffer stocks. Similarly, the Conference should seek to negotiate agreements on cocoa and sugar as soon as possible. The developed countries, for their part, should agree to eliminate, within a period of not more than five years, the tariffs that affected primary commodities exported by the developing countries.

8. His delegation was greatly concerned about the situation with regard to international shipping. The existing practices, which frequently not only restricted trade but also prevented the merchant fleets of the developing countries from obtaining access to ocean-cargo markets, had never been considered at a multilateral level and the principles governing them should be reformulated.

9. With respect to international financing, his delegation was disturbed not only by its volume but also by the economic philosophy behind it. International financing

⁸ E/CONF.2/78.

should not be subject solely to orthodox economic ideas which had been designed to meet the needs of the developed countries but had proved inadequate as a result of the imbalance necessarily created by the process of economic development. For that reason, his delegation felt that IBRD should be transformed into a bank dedicated exclusively to the needs of the developing countries.

10. It was also imperative that the developing countries should agree upon methods to increase their trade on the regional as well as the international level, with due consi-

deration for the institutional and legal peculiarities of each integration scheme.

11. In conclusion, he expressed the view that UNCTAD should be transformed, as soon as possible and according to the terms of its own constitutional resolution, into an international organization of trade and development, with full negotiating and executive powers. It would then be possible to give continuity and practical meaning to the measures which had been recommended but could not be implemented within the present structure of UNCTAD.

**Summary of statement made at the 41st plenary meeting, 5 February 1968,
by Mr. Ivan Boudinov, Minister for Foreign Trade of Bulgaria**

1. Mr. Boudinov (Bulgaria) considered that the hopes that the first session of the Conference had given rise to in 1964 by enunciating its general principles and its recommendations in the Final Act⁹ had been belied.

2. International economic co-operation had hardly progressed at all. To convince oneself of that, it was enough to read the *Review of International Trade and Development, 1967*, and the Charter of Algiers. The developing countries did not participate on an equal footing in the international division of labour in the capitalist world.

3. If the recommendations of the first session of the Conference were badly implemented, it was because certain member States of UNCTAD derived benefits with regard to international trade from unjustified privileges, which they were bent on preserving, as could be seen from the manner in which they approached various important undertakings of the organization.

4. Certain exceptions should, however, be made. With respect to trade between the developing and socialist countries, international co-operation had undeniably developed in accordance with the spirit of the recommendations of the Conference. In spite of many difficulties, the organization had succeeded in exercising a real influence on the other international organizations concerned with trade, as well as public opinion and Governments. As a result concrete solutions were now much closer with regard to preferences, liberalization of trade, elaboration of integrated commodity policies, etc.

5. UNCTAD had also created conditions in which it was possible for the first time to tackle the problems of trade and development in a global manner.

6. To appreciate how the recommendations of the first session of the Conference had been implemented, one should take stock of the measures taken by each member State, and he reviewed the results obtained by Bulgaria. The national economy had undergone a steady expansion over the past four years: the national income had registered a rate of increase of 9.4 per cent, industrial production 13.4 per cent and trade 16 per cent. The new dimensions of the economy enabled Bulgaria to introduce new

forms of economic organization and to derive the maximum benefit from the factors making for intensification of growth. One of the most characteristic elements of the new system of economic management in Bulgaria was that the country was keen on participating as actively as possible in the international division of labour; that factor could not but have a favourable influence on its trade, including its trade with the developing countries.

7. Since the first session of the Conference, Bulgaria's trade with the developing countries had developed rapidly; while the average annual increase in trade had been 16 per cent during 1964-1967, its trade with the developing countries had risen by 29.4 per cent during the same period, from \$92 million in 1964 to \$257 million in 1967. Bulgaria's purchases in those countries included not only commodities but also manufactures and semi-manufactures, which currently accounted for 40 per cent of the total.

8. Very satisfactory results had been obtained in the field of technical and financial co-operation between Bulgaria and the developing countries. About 2,500 Bulgarian experts were working in the developing countries and 1,500 nationals from those countries were studying in Bulgaria. During the past four years the volume of credit extended by Bulgaria to the developing countries had increased markedly. Those credits were designed mainly to cover the delivery and construction of industrial plants and were to be paid back with goods or with the production of the newly constructed industrial units. That form of credit went beyond the limits of traditional financing and guaranteed stable markets for the developing countries concerned.

9. In order that Bulgaria could continue to expand its trade with the developing countries at that fast rate, those countries must make efforts to place trade relations on a legal and contractual footing and to promote mutual knowledge of the economic possibilities so that their imports from Bulgaria could be increased.

10. The possibilities of expanding trade in its classical forms, however considerable they might be, were not unlimited. It was indispensable to seek, on a bilateral as well as a multilateral basis, new ways and means of economic and commercial co-operation that would create long-term commitments in production and marketing on the basis of a mutually advantageous international division of labour

⁹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

between the parties concerned. The first practical steps in that direction had been very encouraging.

11. The future activities of the Conference should be dominated by the principles of international trade relations and trade policies adopted by the Conference at its first session; the general application of those principles was the primary pre-condition for the realization of a complex of rational and interrelated practical measures. The Bulgarian delegation shared the belief of the Secretary-General of UNCTAD that national efforts remained the decisive factor for economic development. That meant, in the first place, the transformation of economic, social and organizational structures for the better utilization of national resources.

12. In the field of commodities the immediate objective should be the extension of the network of commodity agreements. The Conference should adopt a list of commodities for urgent action, as was proposed in certain documents.

13. The Bulgarian delegation was of the opinion that the second session of the Conference should elaborate and adopt a general agreement on commodity arrangements based on the generally recognized institutional rules and the basic principles for the conclusion of commodity agreements. That document would guarantee the necessary degree of uniformity without neglecting the diversity characteristic of separate commodity markets.

14. With regard to tariff preferences, Bulgaria had taken steps to ensure a greater preference for import of manufactures and semi-manufactures from the developing countries. It was ready to examine the possibilities of an effective preferential tariff treatment in favour of the developing countries. The Bulgarian delegation thought that the peculiar situation of certain countries, which were not developing countries in the strict sense of the term but which faced problems similar to those faced by the developing countries in regard to export of industrial goods, should be taken into consideration in establishing the modality of a general preferential system for the developing countries.

15. The Conference should also consider as a matter of priority the question of abolition of non-tariff barriers, and above all, the quantitative restrictions applied by the developing western countries, and should adopt practical measures in this field.

16. Conditions appeared ripe for adopting a programme of liberalization of world trade. In its first stage, such liberalization would cover quantitative restrictions. The programme could emerge on the basis of the following principles. In its broad lines, it could be implemented before the third session of the Conference, that is by about 1970. There should be as few exceptions as possible to that time limit and a specific programme of liberalization should be envisaged for each particular case; as a first step the member States of UNCTAD should undertake to abolish all preferences in the treatment of countries for whom quantitative restrictions were still applied and refrain from introducing new restrictions; the implementation of liberalization should be adapted to the specific needs and interests of the developing countries; liberalization should be guaranteed by appropriate com-

mitments; the procedures concerning intergovernmental consultations on matters connected with the measures enumerated, and future activities concerning the abolition of non-tariff barriers, should be formulated within the framework of UNCTAD. East-West trade was another field in which it was time to take practical measures, because it always faced numerous discriminatory barriers due to regional economic groupings of the developed Western countries, particularly EEC. The problems of East-West trade should be solved through negotiations between the interested parties, who should recognize the need to apply without any reserve the most-favoured-nation clause in their trade relations. On that basis many other concrete measures would have to be taken for further development of the East-West trade. The expansion of that trade would undeniably stimulate the over-all development of trade, including that of the developing countries. In the course of the preceding five years the annual increase in trade between East and West (8.8 per cent) had been accompanied by a corresponding increase in trade between the socialist and developing countries (13.6 per cent).

17. The economic integration of the developed Western countries had had a negative impact on the trade of many countries, including developing ones, on international commodity trade and on the prospects for expanding exports of manufactured products from the young industrial States. The Conference should therefore take appropriate steps to study that matter.

18. The Conference should also make a detailed study of the question of the increasing drain of financial resources from the developing countries, which continued to be alarming.

19. The Bulgarian delegation hoped that the Conference would take decisions on those important problems. The fate of those decisions would depend to a large degree on the effectiveness of the institutional machinery entrusted with their implementation. It was therefore essential that appropriate measures should be taken to enhance the effectiveness and authority of UNCTAD.

20. Despite the recommendations made by the first session of the Conference, duplication of the activities of international trade organizations was continuing to increase. Consequently, it would be highly desirable for the second session to adopt practical decisions aimed at a more rational organization of multilateral international efforts in the field of trade and development.

21. In order to enhance the role and effectiveness of UNCTAD, it must be made genuinely universal. The German Democratic Republic and all other countries so desiring should be given the possibility to participate on an equal footing in the work of the Conference and its subsidiary bodies.

22. The practical value of the decisions taken by the Conference would depend largely on the extent to which the world political climate was conducive to the implementation of long-term programmes of action at the inter-governmental level. In that connexion, the international situation was hardly favourable. The military aggression of the United States of America against the people of Viet-Nam was being intensified and Israel was

persisting in its refusal to withdraw its occupation forces from the Arab territories which it had unlawfully seized. Furthermore, cases of interference in the internal affairs of many newly independent States frequently arose.

23. Bulgaria considered the improvement and normalization of conditions for international economic co-operation within a universal strategy of trade and development to be of vital importance. The introduction of

genuine equality of rights and advantages for all countries participating in international trade and the abolition of all forms of discrimination and of all privileges in commercial relations would concord with the policy followed by the Government of Bulgaria in its relations with other countries. In the spirit of that policy, the Bulgarian delegation was prepared to do its utmost to contribute to the success of the Conference.

**Summary of statement made at the 59th plenary meeting, 14 February 1968,
by Mr. Barnabé Kanyaruguru, Minister of the Plan, Burundi**

Mr. Kanyaruguru (Burundi) said that the problem of development, so far from being theoretical, required vigorous action from all countries if the survival of two-thirds of humanity was to be assured. Most speakers had expressed their disappointment over the failure to apply the recommendations of the first session of the Conference¹⁰ and over the conclusions of the Kennedy Round.

2. Previously, the developed countries had claimed that they were unfamiliar with the difficulties of the developing countries and that the projects for which capital had been asked had not been the subject of concrete and specific studies. The developing countries had now cleared away all misunderstanding by drawing up the Charter of Algiers; he wished once more to affirm his Government's unconditional support for that document. A Goodwill Mission had been sent to United Nations Headquarters in New York and to several capitals of developed countries; no country or economic organization had refused to receive it, which gave grounds for hoping that the second session of the Conference would succeed.

3. Most countries of the Third World had only their abundant primary commodities and a relatively small number of semi-manufactured or manufactured products to support their development. They had no proper system of manpower rotation, so that peasants must continue the work to which they had always been used. Consequently, without financial support for agriculture, imported goods were becoming dearer and dearer and living standards were falling because of the continuous fall in the prices for those countries' commodities.

4. That was why the rich countries must accept the need for various agreements to stabilize commodity prices. They must cease to subsidize certain crops which were not very profitable and promote international trade by agreeing to import cheaper agricultural products from the developing countries.

5. There were also some countries with special problems, such as the land-locked countries, which had to face large expenditures on imports because of high shipping freight charges. That was a restriction on their purchasing power and did not encourage the development of their industries or an improved rotation of capital. His delegation would urge that all questions of sea transport be given careful consideration with a view to reducing the burden of expenditure imposed on some countries by high freight rates.

6. His country had already attacked the problem of under-development by preparing a development plan, whose execution would largely depend on foreign aid. The whole population had made efforts to increase year by year the production of coffee and cotton, his country's principal export commodities.

7. As part of its plans for diversifying production, Burundi had exported its first consignment of tea at the beginning of 1968, but it was aware of the difficulties that tea would soon face on the world market. While expecting much from the stabilization of prices for its commodities, his country was endeavouring to create the most favourable conditions for foreign investment.

8. As preceding speakers had said, the developing countries should get a substantial increase in finance for their development projects from the advanced countries. It should be granted on more favourable conditions for interest rates and periods of repayment. He wished to thank those countries and international or private organizations which understood the problems facing his country and were helping it to solve them.

¹⁰ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

**Summary of statement made at the 51st plenary meeting, 9 February 1968, by Mr. A. V. Razumenko,
Vice-Chairman of the State Planning Commission of the Byelorussian Soviet Socialist Republic**

1. Mr. Razumenko (Byelorussian Soviet Socialist Republic) said that his delegation, like many others, was concerned by the fact that the Principles of international trade relations adopted at the first session of the Conference had not been fully observed. Since 1964, a number of

Western States had continued to maintain and even increase their fiscal charges, tariffs and quota restrictions. Moreover, they had failed to take any steps to eliminate discrimination in their trade relations with socialist States, although the Secretary-General of UNCTAD and

the Secretary-General of the United Nations in his statement (TD/67) had emphasized that the removal of obstacles to East-West trade would also facilitate trade between the socialist countries and the developing countries.

2. His delegation also drew the attention of the Conference to the extremely harmful consequences of the continuing aggression of the United States of America in Viet-Nam for the economic growth of the developing countries. Unless the international political situation was restored to normal, no one could be confident of the successful implementation of UNCTAD's recommendations regarding trade. It was also regrettable that the German Democratic Republic had not been admitted to membership in UNCTAD, since that country, as a highly industrialized and technically progressive State, could make an important contribution to its work.

3. His delegation supported the developing countries in their efforts to stabilize world commodity trade. Despite energetic efforts, the programme of stabilization adopted at the first session of the Conference remained unrealized, no agreements had been concluded on sugar, cocoa and other commodities, and the position of developing countries on the commodity markets was deteriorating still further.

4. His delegation also supported the efforts of the developing countries to expand exports of manufactures and semi-manufactures. His own country was steadily increasing its imports of such products.

5. The experience of the newly independent developing countries provided a convincing proof of the important role which could be played by the State in economic development. The Governments of those countries had been enabled to increase their rate of economic progress by mobilizing their internal resources to the maximum, by planning the utilization of those resources, by determining the major directions of economic development, and by carrying out significant socio-economic reforms, particularly agrarian reforms. It was regrettable that there was still discrimination against the public sector by the developed capitalist countries, as well as by such institutions as IBRD, IDA and others. His delegation supported the provision in the Charter of Algiers that there should be no discrimination by international lending institutions against the public sector, especially in industry (see TD/38, section C, 1(f)).

6. He noted that the continuing growth of the external indebtedness of the developing countries was not only

the result of the unfavourable terms of trade which they were forced to accept on the world capitalist market, but also of the onerous terms on which financial aid was extended to them both by capitalist States and by the international credit institutions controlled by those States. His delegation called for the implementation by all States of the recommendations adopted at the first session of the Conference on aims of international finance and technical co-operation (A.IV.3)¹¹ and non-financial credit arrangements for the delivery of capital goods (A.IV.6).¹² In its opinion, the financial aid given by the developed capitalist countries was no more than just compensation for a little of the tremendous wealth which they had extracted from their former colonies and dependent countries. Theories about "the rich North and the poor South" were meaningless if they failed to take into account the specific features of the development of capitalist and socialist countries.

7. His delegation could understand the needs and aspirations of the developing countries because its own country had passed through a difficult period of history, in which it had been plundered by foreign capital, subjected to military intervention, economic blockade and almost completely devastated by fascist invaders. By relying exclusively on its own resources and exercising stringent economies, its people had overcome all those difficulties and had embarked on the broad road of economic and social progress. It was contributing to the expansion of trade relations with the developing countries by supplying them with equipment for industrial enterprises, transport and communications projects and power stations. As a result of its policy of industrialization, 63 per cent of its total exports now consisted of machine-tools, heavy-duty trucks, tractors, agricultural machinery and other equipment. Hundreds of engineers, technical personnel and highly-qualified workers from his country were participating in the construction of industrial enterprises in the developing countries and many specialists from those countries were being trained in the Byelorussian SSR. Lastly, he said that his country's development plans for 1966-1970 provided for the further expansion of economic co-operation with developing countries in the form of increased trade relations and the granting of economic and technical assistance.

¹¹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 44.

¹² *Ibid.*, pp. 46 and 47.

**Summary of statement made at the 59th plenary meeting, 14 February 1968,
by Mr. Nong Kimny, Ambassador Extraordinary and Plenipotentiary of Cambodia to India**

1. Mr. Kimny (Cambodia) said that his country was very much aware both of the importance of the second session of the Conference and of the difficulties which all countries, whether developed or developing, would have to surmount if they wanted it to contribute to the development of the Third World. Some people doubted, in view of the complexity of the problems to be solved, whether the

Conference was in a position to produce spectacular results. Cambodia, on the contrary, considered that in a world where the interests of the rich and poor countries too often clashed, it offered men of goodwill a great opportunity to seek together, in an atmosphere of friendly co-operation, remedies for the inadequacies and injustices of the system of international trade and development and

that the developing countries were justified in hoping for concrete results from it.

2. The Cambodian delegation was pleased to note that the number of participants in the Conference had risen from 122 in 1964 to 132, but deplored the fact that one-fifth of the world's population was still barred from major international conferences. It regretted, in particular, that that People's Republic of China, with its 750 million inhabitants, was not represented at the Conference as in the space of twenty years it had shown the ability to work out, relying on its own resources and without any external aid, a policy of development which many countries might envy. It was obvious that without the People's Republic of China international problems could only be half solved.

3. The disparity in the levels of development of the industrial and developing countries was growing and the gap between them was becoming wider instead of narrower. That situation was fraught with grave risks for the future. As the Secretary-General of UNCTAD had pointed out in his report (TD/3/Rev.1),¹³ the ability which the industrial centres were acquiring to master the forces of their economic and social development did not render them immune to the increasingly obvious economic and social tensions in the peripheral countries, nor to the great upheavals and violence to which that tension would lead unless the same conscientious and deliberate effort to influence development in the right direction was extended to those countries. That should surely be seen as an appeal to the industrialized countries to make an effort to avert the fearful possibility that the impoverished masses of mankind would be compelled to resort to rebellion and violence in order to change the present state of affairs. But should it not also bring to mind the poor countries now suffering violent treatment at the hands of rich countries whose policy was still dictated by an obstinately persistent imperialism? Even in economic discussions it was not possible to ignore the political factor: whether or not it was liked, it was always the dominant element and common denominator of all human problems. In the Cambodian delegation's opinion, the economic development of the Third World depended

on technical progress, international co-operation and — above all — the will of the nation.

4. Technically backward as they were, and condemned to lag well behind the developed countries in productivity for an indefinite period, the developing countries must resolutely adopt modern techniques in order to catch up. In agriculture, productivity could be improved both quantitatively and qualitatively by the use of modern techniques. In industry, modern techniques would also increase productivity for manufactures and semi-manufactures, but exports would suffer keen competition from the industrialized countries, which, moreover, would raise all kinds of barriers. International aid, whether bilateral or multilateral, should be provided in the form of technical assistance or capital goods. Food aid, while indispensable for emergencies, was only relatively useful in comparison with capital goods, which had a much more reliable multiplier effect.

5. There was a pressing need for capital in all the developing countries. The chief source of such capital, apart from international financial aid, was exports. But if the developing countries were to be sure of being able to maintain or increase their export earnings, it was essential for world prices of primary commodities to be stabilized. That was not the case at present: the prices of primary commodities were subject to considerable fluctuations and had a downward trend, while the prices of manufactured products were rising. Cambodia therefore desired a normalization of the international trading system, stabilization of the prices of primary commodities, establishment of buffer stocks, control of competition from synthetic products and an international division of labour.

6. Finally, the developing countries must realize that they themselves bore the main responsibility for their development and that they would not succeed unless they showed the will to help themselves, accepted the necessary structural reforms in their economies and put all their efforts and resources into achieving the aims they had set themselves. Just as each individual was responsible for his own salvation, so each people was responsible for its salvation in the world. International co-operation, in the form of aid, should only be considered as a temporary support, given for a limited time so as to enable the developing countries to attain economic independence sooner.

¹³ *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6), para. 453.

**Summary of statement made at the 62nd plenary meeting, 16 February 1968,
by Mr. Vincent Efon, Minister of Commerce and Industry of Cameroon**

1. Mr. Efon (Cameroon) described the choice of India as the venue for the second session of the Conference as highly symbolic, for that country's access to independence two decades before had marked the first victory over colonialism and its evils. From that moment onwards, a more balanced world political system had gradually taken shape, and while the situation was not as yet perfect, it came much closer than it previously had to the ideals of a civilization worthy of mankind.

2. However, the representatives of almost all the nations of the world were assembled at the Conference not

to celebrate the end of colonialism but to tackle the far vaster and more insidious problem of the fundamental imbalance in international economic relations. The problem was no new one, and the inequitable distribution of the world's wealth among its peoples had assumed such proportions during recent years that leaders throughout the world considered the matter sufficiently grave as to necessitate concerted efforts towards a rapid and effective solution of the problem.

3. The subject had first been discussed at Geneva in 1964. The first session of the Conference had been a

source of enthusiasm and disappointment to the developing countries, enthusiasm because it had been their first opportunity to make known their distressing situation and because generous resolutions had been adopted on new trade policies to promote development, but disappointment because the high hopes placed by the developing countries in the provisions of the Final Act¹⁴ had not been fulfilled over the years which had followed. Indeed, the developed countries with market economies had made no effort to apply the principles governing international trade relations aimed at harmonious development, and the terms of trade of the developing countries had continued to worsen. Because the target of 1 per cent of the industrialized countries' national income had not been reached, the growth rate of the Third World countries had not gone beyond 4 per cent as compared with the minimum rate of 5 per cent set by the General Assembly (resolution 1710 (XVI)). Furthermore, no real progress had been made over the past four years with respect to commodity trade, the result being a dangerous increase in the public debt burdens of the developing countries. Although some developed countries had adopted a comprehensive approach to the problem of market access, others were still impeding access by manufactures and semi-manufactures from the developing countries.

4. Those few examples were sufficient illustration that the situation had reached a point where catastrophe could be expected unless immediate action was taken. For the developing world, therefore, New Delhi meant the formulation of a new definition of international economic relations, to be immediately and forthrightly applied with a view to reducing and ultimately eliminating the profound imbalance which prevailed in trade relations between developed and developing countries. The Conference should also be synonymous of the birth of a juster and more rational policy for the distribution of the world's financial resources. The Charter of Algiers, to which his Government fully subscribed, contained a clear enumeration of the principles whose application would enable those ends to be achieved. Among the Charter's main points, special importance was attached by his Government to the problem of the chronic fluctuations to which world trade in primary products and raw materials were

subject; the problem of commodities, the marketing of which in present circumstances failed to guarantee the producers remunerative prices, and would go on doing so until a dynamic buffer-stock financing policy had been set on foot; the problem of manufactures and semi-manufactures from developing countries, with the latter being unable to expand their new industries without easier access to the markets of the developed countries; and the problem of the notoriously inadequate financial aid from the developed to the developing countries, resulting in a constant deterioration of the latter's over-all economic situation.

5. It had to be clearly stated that world peace would be at hazard if the rich countries continued to ignore the poor countries' claims and if an immediate solution was not found to the problems listed in the Charter of Algiers. The developing world would not cease from strife until its crusade against poverty had been won. Success depended to a great extent on aid from the industrialized countries, but it should not be forgotten that such aid was also a debt of honour owed by the developed to the developing world. Furthermore, it was in the interests of the former to grant such assistance, for the poorer the latter became, the less they would be able to purchase from the richer countries. Such, indeed, was the spirit in which the rich countries had adopted the various types of preferential systems in force at present.

6. With regard to that question of preferences, he expressed his Government's full support of the position adopted in the Charter of Algiers. Developing countries could not be expected to abandon existing preferences before they had been granted at least equivalent advantages. Elimination of existing preferences should therefore follow rather than precede the establishment of the generalized system advocated by all.

7. The developing countries would not use military power in their struggle against poverty and for human dignity, for even if they possessed such power, history had shown that military victories were ephemeral. The developing world had accordingly preferred to enlist peaceful means such as discussion and dialogue in the hope that reason and common sense would prevail. Furthermore, there could be no question at the present Conference of a victory of one side over the other. The victory to be won was that of the international community as a whole over misery and poverty and for the safeguarding of world peace.

¹⁴ *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

**Summary of statement made at the 48th plenary meeting, 8 February 1968,
by Mr. Robert Winters, Minister of Trade and Commerce of Canada**

1. Mr. Winters (Canada) said that the process of development had now become irreversible. The creation of UNCTAD, the establishment of various programmes and institutions to encourage economic and social growth and the recent Kennedy Round negotiations all bore witness to that fact. It was a matter of regret to Canada that following the Kennedy Round some countries had reverted to protectionism. In others, the pursuit of

narrow objectives threatened to block further progress towards liberalization of the international trade and payments system.

2. Over the past four years the volume of economic assistance granted to the developing countries by Canada had trebled. Canada ranked aid as one of its highest priorities and, despite domestic economic problems and its balance-of-payments position, was determined to follow

policies which would release resources required for development assistance. His country had also given strong support to the replenishment at a substantially higher level of IDA. Part of the increased flow of Canadian resources had taken the form of food aid and his Government had agreed to provide, over a three-year period, some one-and-a-half million tons of food grains under the International Grains Arrangement, which was the second largest contribution from any single country. Much of that aid had been directed to meet emergency situations, but a longer term solution must involve a transformation of agriculture in many of the developing countries. Canada was examining ways in which it could participate more actively in programmes designed to raise agricultural production and improve efficiency in the developing countries. The ultimate solution depended on measures to strengthen and diversify the whole economy, and Canada hoped that there would be ample opportunity at the Conference to consider the international and regional implications of such action.

3. It was not enough simply to increase the flow of aid. Greater assurance must be provided that it would be sufficient to support the long-term objectives of national development plans. For that purpose Canada had introduced a policy of forward commitments of up to five years for countries in which it had major aid programmes. It was also prepared to consider ways of countering the harmful effects which might arise from the tying of aid. In its bilateral programmes Canada would continue to concentrate on the provision of goods where they were competitive. Whenever feasible, it was willing to subject the provision of such goods to international competitive bidding.

4. Since shortages of domestic finance could delay or deter development projects, Canada permitted its aid to be used for covering a portion of local costs and was now prepared to extend that facility to cover the purchase of goods by one developing country in another developing country. He hoped that the new arrangement would be specially useful in promoting regional co-operation.

5. The problem of increasing indebtedness was of growing concern to many developing countries. It was essential that the terms of aid should be more directly related to economic circumstances and debt servicing capacity. Canada attached high priority to a greater harmonization of the terms on which aid was provided and itself offered terms which more than met the targets proposed by the Development Assistance Committee of OECD and the United Nations General Assembly. In 1966 approximately 90 per cent of the Canadian aid had been in the form of grants and long-term interest-free loans.

6. In addition to official aid, attention should also be paid to the significant contribution of the private sector. In that connexion he particularly welcomed the increased participation of representatives of business and voluntary organizations in international assistance. It was important to maintain public support in the developed countries for the concept of international aid, and that could best be done if the resources so transferred were seen to be making an effective contribution, not only to economic development, but to international harmony.

7. In view of the unexpected complexities of the development process, Canada was considering the establishment of a research programme on the application of modern technology to the economic and social problems of development.

8. Canada had tried to play a constructive role in efforts to negotiate or revise commodity agreements on cocoa, sugar and coffee. He urged new and purposeful efforts to achieve success in that area and pledged Canada's support. His Government had already made a tentative arrangement to help alleviate the position of sugar growers in the Commonwealth Caribbean countries and was prepared to examine new proposals for buffer stocks and diversification programmes.

9. Improved access to world markets was the key to the expansion of world trade. Canada was an exporter of raw materials and lagged behind the major industrialized countries in the export of processed commodities. It had therefore strongly pressed for free trade in industrial materials, both in primary and processed form. It continued to support that objective. There was little point in encouraging growth in the developing countries while imposing barriers against imports of the goods that they could produce on a competitive basis. Canada itself provided a relatively open market for imports that competed with domestic production and had offered, during the Kennedy Round, to provide free entry to tropical products in the context of a concerted move by all the industrialized countries. Although that aim had not been achieved, his country had eliminated tariffs on several such products and substantially reduced others.

10. Attention had been focused on the question of a system of special temporary tariff advantages for manufactured goods from the developing countries, which were convinced that tariff preferences would increase their export earnings and accelerate their economic growth. Canada would play a positive and constructive part in the discussion of that subject during the Conference. It would be important to try to ensure that any arrangements provided roughly equivalent opportunities to all the developing countries and that import opportunities were fairly distributed among developed nations. The effects which preferences might have on the exports of third countries should also be taken into account.

11. He believed that the distinction between developed and developing countries was not nearly as clear as those terms implied. For example, his own country occupied a special position among the developed countries in that it had not yet achieved a proper balance between manufacturing and other sectors of its economy. That special feature had been recognized by the countries participating in the Kennedy Round when they had agreed that Canada could negotiate on a selective basis.

12. In his view the trend towards regionalization in world trade could prejudice further progress in the reduction of barriers. Inward-looking groups were no answer to the problems of the developing world or, for that matter, of the developed world. Regional trade arrangements should not distort the international trading system, but encourage the efficient allocation of resources. His Govern-

ment sympathized with the efforts of the developing countries to help themselves by expanding mutual trade and increasing regional co-operation, and had supported regional projects and made substantial contributions to regional banks.

13. The present international situation called for an effort similar to that made twenty years ago to repair the devastation left by the Second World War. With ingenuity, imagination and determination he felt sure that the Conference could succeed.

**Summary of statement made at the 40th plenary meeting, 5 February 1968,
by Mr. J. R. Jayewardene, Minister of State of Ceylon**

1. Mr. Jayewardene (Ceylon) said that the second session of the Conference had been convened to find a solution for the difficulties confronting international trade so that the peoples of the developing nations could be given a decent level of living in the shortest possible time. While the developing countries represented 80 per cent of the world's population, the developed countries were receiving 90 per cent of the world's income. Not only was there a wide disparity between the *per capita* gross national products of the members of those two groups but that disparity was increasing annually to the disadvantage of the developing countries. To put it bluntly, the developed part of the world, which was the smaller part and had a smaller population, was growing richer every year, while the developing part of the world, which was much larger, both in area and in population, was growing poorer.

2. There were various reasons for that state of affairs. For several centuries the developing world had not been politically free, although today, fortunately, all the nations of the world, except for a very few, were politically free and were members of the United Nations and of UNCTAD. The developing nations were now prepared to develop their resources to the fullest possible extent, but the process of development required finance, and if the internal financial resources of a developing nation were inadequate, external financial aid had to be provided. It was also necessary to find a free market for the products of the developing world. Peace was another essential; unfortunately there were many vulnerable points in the developing world where wasteful armed conflicts could arise, a situation that was an inheritance from colonial days.

3. While the developing countries were proud of their freedom and would prefer to use their own resources for development, they found that the major part of their trade was still channelled to the developed countries and that most of the goods which they imported originated in those countries. The prices which they had to pay for their imports showed a constant upward trend, while their revenue from exports declined every year. In his own country, export proceeds from the three major products — tea, rubber and coconuts — had declined from \$382 million in 1965 to \$326 million in 1966. Not only had export prices decreased but import prices had begun to rise. In spite of that trend, however, his country had been able to maintain its customary standard of living by increasing its production of tea, rubber and coconuts. His country, however, like all the other rubber-producing countries of Asia, had been severely affected by the recent

fall in the price of rubber which had been mainly due to the release of stockpiles and to manufactured and synthetic substitutes.

4. The developing countries had drawn up their own development plans with a view to solving those problems. During the past fifteen years, the Colombo Plan had helped to organize and implement development plans by providing both finance and experts. The good work accomplished in that way should be continued on a progressive scale. Aid should be strategically invested and should be offered on favourable terms; it should not be made contingent on imports from a particular country. Recently, however, the cost of servicing assistance loans had risen so sharply that if the trend continued, it would soon amount to more than the aid itself.

5. If financial assistance to the developing countries was to be adequate, a programme should be adopted immediately to implement the proposal that the developed countries should devote 1 per cent of their gross national product to aid to the developing countries. His delegation strongly supported that proposal, which offered the only reliable means of regulating the flow of financial resources from the developed to the developing countries. While external aid only became necessary when a developing country's own financial resources were inadequate, sometimes there was a sudden drop in annual earnings due to causes beyond the country's control. To remedy such situations there should be international agreements to stabilize world commodity prices, since over 88 per cent of the export earnings of developing countries came from their exports of primary commodities. During the last ten years, ironically known as the United Nations Development Decade, the prices paid for those products had either remained static or had decreased, since they were meeting relentless competition from synthetics and substitutes. The history of international commodity agreements in the post-war years, however, had been a tragic one and until really effective agreements could be concluded, he would recommend that the Conference consider the use of buffer stocks for appropriate commodities and the adoption of suitable methods of financing those stocks. That should be accompanied by a system of supplementary financing, which should be operated in a manner consistent with the sovereignty of the participating countries. It might also prescribe the limits of financing and the principles of rationing in the event that claims exceeded available resources.

6. As the economic plans of the developing nations began to cover manufactures and semi-manufactures, the question of the access of those products to the markets of

the developed nations became important. His delegation noted with satisfaction that the proposal for the establishment of a system of general and non-discriminatory preferences for those goods was now considered ready for a decision. Though such a scheme might immediately benefit only a few of the many developing nations, his delegation was prepared to support it. That alone, however, was not enough; it was also necessary to insist on the removal of the present tariffs on processed primary products. Those tariffs were a barrier to the expansion of trade and inhibited the processing of raw materials in the producing countries. The Conference should decide on a phased programme for the total elimination of all quantitative restrictions and other non-tariff barriers on primary products of developing countries in their natural or processed state. The example of Australia, which granted preferential treatment to goods from developing countries, was one worthy of imitation.

7. His delegation attached considerable importance to the trade between the developing countries and the socialist countries. It welcomed the growth of that trade and hoped that consultations would be held during the Conference with a view to making trade and payment with those countries more flexible.

8. The structure of UNCTAD should be examined in the light of experience; procedures should be much more flexible. UNCTAD should continue to function not only as a forum for discussion and formulation of new ideas, but also as a negotiating body to help to implement the programmes of action formulated at the Conference.

9. Ignoring rumours of recession, the Conference must address its mind to one common objective: to agree on a course of action to achieve the ideals of the first session of the United Nations Conference on Trade and Development. The most important outcome of the Ministerial Meeting of the Group of 77 at Algiers had been the resolve that the developing world should be united in its efforts to seek a global strategy for world trade which would assist programmes of economic development. After Algiers, he had had the privilege of leading a mission from the developing nations to five of the developed nations: Denmark, Finland, Norway, Sweden and the United Kingdom of Great Britain and Northern Ireland. The attitude of understanding and goodwill for the aspirations of developing nations shown during that

mission made him confident that there would be no stepping back by the developed nations in their attitude to the problems of the developing nations. During that mission, the consensus had been that prosperity was indivisible. The converse was equally true: poverty too was indivisible.

10. Outside the Conference, millions of people were knocking at the door for employment and for better standards of living. They were watching and waiting to see whether the Conference was an exercise in futility or whether the participants were animated by a meaningful purpose.

11. Though he was not satisfied with the efforts of the developed nations to implement the recommendations of the first session of the Conference and there was a danger that the second session might be a repeat performance of the first, he was not pessimistic. The various international organizations created after the Second World War had set new standards of international behaviour. UNCTAD, through the various conferences held under its auspices, had created a new outlook in the world, namely, that international co-operation was necessary to enable developing nations to carry out their economic development programmes.

12. There was now a broad understanding of the changes taking place in the world today. When, soon after the Second World War, large areas of the world had achieved political independence, the necessary steps to remove existing barriers and discriminations had not been taken. The countries of Europe and Japan had recovered quickly from the war because they had achieved industrial efficiency and because they had had the necessary know-how and ready-made markets. But some of the developing nations, in spite of twenty years of political freedom, still found it difficult to eliminate past influences and conditions and create new sources of work and strength.

13. The developing nations had not come to the Conference to seek charity. They were not asking to be adopted by the developed nations. The proposals in the Charter of Algiers (TD/38) were designed to help the developing countries help themselves through practical development programmes and by co-ordinating their programmes. The developed nations should see the task of the Conference as being to help those who were stretching their hands towards prosperity.

**Summary of statement made at the 56th plenary meeting, 13 February 1968,
by Mr. Abdoulaye Lamana, Minister of Economy and Transport of Chad**

1. Mr. Lamana (Chad) said that although his delegation accepted the principle of a global strategy for the struggle against under-development, it hoped that a careful study would be made of each product in order to work out short-term solutions.

2. For the past five years, the attention of the international community had been continuously drawn to the fact that the most important problem to be solved, for

countries in which under-development was due neither to a population explosion nor to excessive economic weakness, was the stabilization of basic commodity prices. Developing countries were asked to diversify their economy, to make their products more competitive and to stabilize their prices, but in many cases that was impossible without outside financing. International liquidity, already insufficient to meet requirements, was being used

to defend reserve currencies and the small amount available for the developing countries constituted a token of good intentions rather than effective aid.

3. Were products to be made more competitive at the expense of the producers or were prices to be stabilized at a level which would enable the gap between the standard of living of the producer and the consumer to be reduced, however gradually?

4. Chad was typical of many developing countries. Its most categorical requirement was to train workers at all levels; its need was water, its wealth cotton, its treasure cattle, its difficulties distance, lack of capital and indifference on the part of richer countries. Without the means to diversify its economy, its only source of income was cotton, which represented 80 per cent of its exports, the price of which was governed by surpluses throughout the world. Chad had a budget of \$46 million and a five-year plan of the order of \$191 million. It had reduced the cost price of its cotton from 64.12 cents a pound in 1950 to 26.85 cents in 1967, even though it had to be transported 2,000 kilometres to the port of embarkation, in a region where transport costs were the highest in the world. At the same time, the selling price of cotton had dropped from 81.24 cents in 1950 to 23.60 cents in 1967. Had cotton continued to fetch the same price as in 1950, Chad's five-year plan could have been financed in three-and-a-half years without external aid. As it was, it had received \$4,275,000 as aid for its cotton production over five years whereas it was losing \$12,400,000 a year

because of the discrepancy between the cost price and the selling price of the product.

5. If the selling price of cotton were to be stabilized at 13.38 cents a pound above the present so-called "world price", it would enable the Chad producer to be paid the same as in 1957, productivity could be stimulated to attain an average yield of 330 pounds of fibre per acre, the amount to be spent on agriculture and roads under the five-year plan could be covered and the total expenses of the plan could be amortized in twenty years. The effect on the consumer would merely be that a shirt would cost him 10 cents more, a minute sacrifice when compared with the benefit to the producer.

6. Although his country fully appreciated the arguments against regional or vertical preferences, it intended, in view of the help provided to it by the European Economic Community, to defend such arrangements until concrete steps were taken at the world level.

7. His country strongly supported the Charter of Algiers (TD/38), especially with regard to its recommendations concerning IBRD. The least developed countries had little hope of obtaining any finance from IBRD for infrastructural projects such as roads, which, although not strictly productive, constituted the basis of all development.

8. The second session of the United Nations Conference on Trade and Development should profit from the lessons of the first and engage in frank and forthright discussions on a problem affecting not only the underdeveloped countries but all mankind.

**Summary of statement made at the 43rd plenary meeting, 6 February 1968,
by Mr. Hernán Santa Cruz, Permanent Representative of Chile to the United Nations Office at Geneva**

1. Mr. Santa Cruz (Chile) said that the second session of the Conference was the culminating point of the fight waged for twenty years by the developing countries to obtain the fulfilment of the solemn pledge contained in the United Nations Charter, that its signatories would take joint and separate action to achieve "higher standards of living, full employment, and conditions of economic and social progress and development" (Article 55). That formal pledge had not been kept, as was shown by the balance-sheet of the contemporary state of the developing world contained in the Charter of Algiers and by the recent statement of the President of IBRD. Neither the letter nor the spirit of the United Nations Charter had been observed.

2. His delegation had not come to New Delhi to indulge in recriminations. Everyone was to blame. The developing countries, which all too frequently had failed to realize within their national communities that equality and solidarity which they demanded of the international community, had no intention of making useless accusations or allocating responsibility for the non-fulfilment of the recommendations of the first session of the Conference. They had come with the honest intention of seeking, in co-operation with the developed countries, ways to avert a world-wide catastrophe, to give the people of the

Third World the advantages to which they were entitled and to ensure that the dignity of every human being was respected. They hoped that the developed countries, which held the keys to many aspects of the development problem, would meet them in the same spirit. First of all, however, those countries would have to be convinced of the tremendous gravity of the task and that it should be given priority over all the others that faced the international community. The second session of the Conference was the most suitable occasion to do so.

3. The current age was one of unprecedented speed and dynamism; an age of great hopes but also of great problems. The conquest of under-development was too urgent to be subordinated to transitory economic difficulties. He therefore repudiated the pessimistic suggestion that present world conditions made it impossible for the Conference to achieve positive results.

4. The Charter of Algiers called for the urgent adoption of a global strategy for development requiring convergent measures on the part of both developed and developing countries. But it also recognized that the primary responsibility for development rested on the developing countries themselves. International co-operation could supplement but not replace national efforts and discipline.

5. The Chilean Government believed that developing countries should take effective measures to modernize their agricultural, educational and administrative structures to ensure a better and more just distribution of income and integrate the masses of the people in the task of development within a balanced economic and social development plan. It also believed that all internal resources should be mobilized for development and not squandered on armaments. Of the \$140,000 million wasted in that way in 1965 — at a time when two-thirds of the world's population were hungry — \$18,000 million had been spent by the developing countries, and that expenditure was increasing at the rate of \$2,000 million per year. Mr. Eduardo Frei, President of Chile, had recently condemned unrestrained armaments drives, which, he said, were incompatible with serious anti-poverty programmes.

6. The Charter of Algiers went on to say that the developing countries were determined to contribute to one another's development, by expanding trade among themselves and establishing closer economic relations. The Conference would provide an opportunity for exploring the possibilities of regional and sub-regional integration schemes for creating economic areas large enough to offer scope for economies of scale, the mass production of capital goods and the introduction of new, more technically sophisticated industries. Chile was determined to do all it could to make the Latin American Common Market an effective reality, linked even more closely with other developing regions.

7. The developed countries had an indispensable role to play in working out and carrying out the global strategy. In a world of increasing interdependence, peace, progress and freedom were indivisible and all countries must share in promoting them. What the developing countries were asking the developed countries to do was set out in the Charter of Algiers. Essentially, they were asking them to move from the stage of deliberation to the plane of practical action, and to implement the recommendations of the first session of the Conference. He had been glad to hear speakers from a number of developed countries affirm that they were already implementing them or that they intended to do so.

8. The developing countries wished to share in technological progress, which could not be monopolized by anyone because all mankind had contributed to it. There should be no economic or legal obstacles to such sharing, and there should be international assistance for scientific research in the developing countries. The developing countries also hoped that measures would be taken to rebuild the maritime transport system on new principles and to enable the developing countries to build up their own merchant fleets.

9. The international co-operation activities involved in the global development strategy required the far-

reaching reorganization of the existing international machinery. UNCTAD must become an instrument of government decisions in formulating and revising strategy as well as a forum for negotiations between countries and economic groups. The specialized agencies would also have to be restructured to make them more flexible and to improve co-ordination between them so that they could provide integrated assistance in solving problems of key importance for the global development strategy.

10. Agenda item 9 (f) (The world food problem — its relationship to international trade, export earnings and economic development of developing countries; measures to assist them to increase their food production and to improve the conditions for its distribution and marketing) could better be entitled "The world food crisis", since the present situation might lead to a catastrophe as a result of the demographic explosion. In his view, the question should be discussed by a working group of the whole since the problem was linked with the entire programme of UNCTAD. The only solution was to increase food production in the developing countries through technical assistance from the advanced nations. For that purpose food aid should be organized in such a way as to stimulate rather than to hinder production. UNCTAD and FAO must strengthen their present co-operation, making full use of the information available in the Indicative World Plan for Agricultural Development.

11. In his view the second session of the Conference should not merely be a forum for debate, but should lead to concrete negotiations, centering on the "points of crystallization" defined by Mr. Jolles (Switzerland), President of the Trade and Development Board.¹⁵ Without such practical measures, the Conference would be declamatory only and give rise to further frustration and disappointment.

12. After outlining the opposition voiced in the past to make proposals for massive aid programmes, he drew attention to the statement made by Mr. Woods, President of IBRD, who had said that during the next five years the developing countries could usefully absorb from \$3,000 to \$4,000 million of additional external aid per year. Past opposition and lack of a wider vision had contributed to the present division of the world into the affluence of the northern hemisphere and the misery of the southern hemisphere. The technical knowledge necessary to cure the economic ills of the world was available. What were now needed were men with the vision of a Roosevelt, a Truman or a Kennedy. Given the right degree of political determination, the Conference could achieve its objectives.

¹⁵ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, paras. 30 and 31.

**Summary of statement made at the 42nd plenary meeting, 5 February 1968,
by Mr. Li Kwo-ting, Minister of Economic Affairs of China**

1. Mr. Li (China) said that it was regrettable that, while some progress had been achieved during the United Nations Development Decade, the pace of economic growth in the developing countries had been slower than it should have been and the gap between the *per capita* income of the developed countries and the developing countries was becoming wider. In spite of the relative prosperity of the 1960s, exports from the developing countries had not increased at the same rate as world trade as a whole, and their terms of trade had deteriorated owing to the decline in the prices of primary commodities. The Republic of China deplored the fact that the promises held out by the Final Act of the first session of the Conference¹⁶ had not been kept and it was ready to co-operate with all the developing countries to achieve their common aspirations.

2. The first essential was to stabilize commodity prices at a reasonable and remunerative level which would give exporting countries a prospect of growth, because those exports were their major source of foreign exchange earnings. It was regrettable that the International Sugar Agreement had been suspended and it was to be hoped that a new agreement would be concluded at an early date.

3. Another way of making the developing countries less vulnerable to price fluctuations was to diversify their production. The Republic of China, by following that policy, had been able to reduce the proportion of its earnings accruing from rice and sugar exports from 80 per cent of its total exports in 1952 to 33 per cent in 1964, while total trade volume had risen from \$280 million in 1950 to \$1,500 million in 1967, of which \$669 million were attributable to exports.

4. On the other hand, the economic situation in mainland China under Communist occupation had deteriorated as a result of the so-called "Cultural Revolution" and the disturbances caused by the Red Guards. The disastrous effects were obvious both in agricultural production and in trade. The economic dislocation on the mainland

should give cause for reflection to those who traded with that area.

5. The Republic of China was ready to share with other developing countries the experience which it had gained in trade and economic development and to form a bridge between the developed countries and the newly emerging countries, in order to enable the latter to secure the maximum benefit from technical co-operation with developed countries.

6. The Republic of China was anxious that the Conference should reach some definite conclusions. In regard to international trade, there must be a better international division of labour so that the developed countries could devote themselves to more sophisticated products and leave to the developing countries those products which required less technical "know-how".

7. The world food problem made it imperative that the developing countries should work closely together in order to improve their agriculture and reduce as far as possible their dependence on the developed countries. The Republic of China could pass on to other countries the benefit of its experience in that field.

8. It was regrettable that the developed countries had devoted only 0.62 per cent of their gross national product to the financing of development in 1966, as against 0.87 per cent in 1961, in spite of the unanimously agreed target of 1 per cent. His delegation hoped that the developed countries would increase the flow of capital to the developing countries, preferably through international institutions such as IBRD and IDA. His delegation also fully supported the plan for supplementary financing set out in the report of the Secretary-General of UNCTAD.

9. In regard to economic integration and co-operation, it was for the Conference to identify the areas in which international action could make an effective contribution.

10. It was unfortunate that the favourable effects of the Kennedy Round had applied only to products requiring high technology and capital intensity. UNCTAD should promote further negotiations devoted exclusively to the removal of tariff and other barriers imposed by the developed countries against the exports of developing countries.

11. On all those points it was essential to achieve practical results and not merely pass resolutions.

¹⁶ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 3-98.

**Summary of statement made at the 46th plenary meeting, 7 February 1968,
by Mr. Alfonso Palacio-Rudas, Senator of Colombia**

1. Mr. Palacio-Rudas (Colombia) drew attention to the statement made by the President of his country in 1964 to the effect that measures designed to integrate world trade should be based on the principle of solidarity in order to prevent the increasing concentration of capital

in the hands of a few nations and to secure a more just distribution of capital throughout the world. In the light of that statement it was clear that the Charter of Algiers embodied the Colombian position on the problems facing the Conference and ways of solving them. He also wished

to draw attention to the principles enunciated by the Latin American countries in the Charter of Tequendama,¹⁷ which had been drafted in Bogotá. That document contained sober and realistic proposals for the organization of an affluent world society.

2. Despite the gulf that still separated the advanced from the developing countries, he felt convinced that positive progress had been made towards the solution of the problem of underdevelopment. When radical changes had to be made in world society, the most important initial step was to acquire an awareness of the situation. There could be no doubt that progress had been made in identifying problems and working out solutions to them. No country any longer had any doubts about the close relationship between trade and development or refused to accept its share of responsibility. Thus a diagnosis had been made of the problem and a global strategy had been drawn up with a view to winning the war against poverty. It now remained to find practical formulas and compromise solutions leading to concrete action.

3. In his opinion the Conference was taking place at a propitious time. The difficulties currently being encountered by the industrialized nations should convince them that they would never solve their problems without recognizing that their economic potential was limited and would have to be amplified by that of the under-developed countries. In that way the whole world could become an international welfare state. The handling of the problem

of world liquidity was a case in point. The Group of Ten had recently negotiated special drawing rights that would be proportionate to each country's deposit with IMF. In other words, the mistake first made at Bretton Woods at the end of the Second World War was being repeated. At that time a system had been established exclusively to facilitate the economic reconstruction and commercial expansion of a few privileged countries. Many of the problems now faced by the industrialized nations originated in that decision, which had neglected the needs of the less developed countries. By ratifying existing inequalities the industrialized nations had made it impossible for them to expand their markets. Now, however, it was recognized that the economy of the future would require a new international monetary system, whose effectiveness would depend on the willingness of the industrialized countries to grant to the developing world a larger share of new financial resources.

4. The present world situation also argued in favour of many of the solutions proposed in the Algiers and Tequendama Charters and in the documents prepared by UNCTAD. Such measures included the liberalization of trade in commodities, the gradual establishment of general preferences for manufactures and semi-manufactures, new financial machinery, including supplementary financing, and the transformation of certain institutions that had so far served mainly for export and import financing in closed circuits. In addition, new channels of trade should be opened with countries having centrally planned economies and efforts should be made to encourage regional and sub-regional integration among the developing countries, a field in which Latin America had made considerable progress.

¹⁷ Adopted by the *Ad Hoc* Committee on Latin American Co-ordination at its Fourth Meeting at the Expert Level, Bogotá, Colombia, 25-30 September 1967.

Summary of statement made at the 59th plenary meeting, 14 February 1968, by Mr. Aimé Matsika, Minister of Commerce and Economic Affairs, Statistics and Industry of Congo (Brazzaville)

1. Mr. Matsika (Congo (Brazzaville)) said that the deterioration of the terms of trade between the developed and the developing countries together with the other difficulties the international community was going through had prevented the aims of the first session of the Conference from being realized. The Congolese Government hoped that the participants in the second session would do everything they could to arrive at practical and effective solutions. The Conference's attention would mainly be engaged by such questions as the deterioration of the terms of trade, financial aid, the commodity market, the manufactures and semi-manufactures market, preferences and regional or sub-regional integration.

2. As far as the deterioration of the terms of trade was concerned, the rich countries must above all agree to relinquish their monopoly position in fixing the prices of commodities from the under-developed countries. The establishment of a system under which the producing countries played an effective part in fixing their commodities' prices would enable a dialogue to be opened between producers and consumers. Secondly, in working out the prices of commodities from the developing

countries such factors as the producer's remuneration, marketing and research expenditure and the cost of processing crops would have to be taken into account.

3. In regard to aid, the developed countries, their investors and the international financing bodies should refrain from requiring contributions from the developing countries in currency or in kind when they granted them loans for the development of industry, agriculture or the infrastructure. The necessity to make such contributions placed the borrowers in a permanent position of indebtedness, which impeded automatic reinvestment and the realization of their real development potential. The profitability of the proposed project ought to be the determining factor in granting aid. His country, for example, had been required to pay, in the form of such contributions, nearly one-third of the cost of the projects planned for it. A further requirement was that the contribution should be made at the time the conventions or contracts were signed, long before the projects were implemented. A specialized international body could make such contributions on behalf of States. Its establishment would make the credit system more dynamic and

effective. In the case of productive investment, it would be highly desirable for the loans to be repaid out of the production of the undertaking established by means of the aid, which would avoid the imposition of heavy burdens on the State budget.

4. In regard to the commodity market and the manufactures and semi-manufactures market, his Government was in favour of the aims stated by the Group of 77 in the Charter of Algiers. It was to be hoped that the developed countries would agree to enter into a dialogue with the developing countries and would respond to the demands made in that Charter.

5. On the subject of preferences, the position of his Government was, again, the position taken by the Group of 77 in the Charter of Algiers. His country considered that the preference system, whether it was a regional or a general one, must correspond to a real development objective, providing a secure and lasting guarantee for existing and future interests and privileges.

6. His Government considered that regional or sub-regional integration was one of the effective ways of solving the problem of the development of the Third World. There was a prior condition for such integration, however; satisfactory communications still had to be established between developing countries, even when they were immediate neighbours. Communications in the countries of Africa had in general been thought of solely as a means of conveying raw materials to the colonizing countries. The communications problem could not be solved without more aid from abroad.

7. The former colonial Powers must recognize that the backwardness of the developing countries was basically due to the colonial system; they could not, therefore, shirk the task of establishing co-operative relations with them. As for the industrialized countries with a centrally-planned economy, they possessed an economic potential which represented a substantial source of aid for the under-developed countries. It was desirable, therefore, for the countries with a centrally-planned economy and the capitalist countries to get together and harmonize the practices, forms and means of aid to the under-developed

countries. Such a coming together would make it possible to eliminate competition that was harmful to the countries requiring aid and to settle the difficulties arising in the field of customs and transport. It would also make it possible to consolidate the work done on either side to establish peaceful coexistence.

8. It must also be remembered that the developing countries had been relegated to the rank of mere exporters of raw materials. That kind of division of labour at the international level was doing much to retard the under-developed countries' industrialization. It was essential that the developed countries should let them make industrial progress by processing their agricultural products and raw materials and should open their markets to the processed products.

9. The second session of the Conference must establish an order of priorities for the measures to be taken to help the poor countries in the immediate future. To that end, it would first of all be desirable to draw up a list of the developing countries' agricultural, forestry and manufactured products which would be guaranteed remunerative prices and to which the developed countries' markets would be opened on a permanent basis and on conditions advantageous to the exporting countries; secondly, the system under which financial contributions were required from the countries receiving aid must be abolished, particularly in the case of projects whose productivity was guaranteed; and lastly, those measures must be co-ordinated and supervised by a permanent international organization responsible for matters concerning the developing countries' development, trade and aid.

10. On their side, the developing countries would have to make proper use of the aid granted to them and avoid harmful competition by organizing themselves into regional common markets. The Congo (Brazzaville) belonged to the Central African Customs and Economic Union, together with Gabon, Cameroon, Chad and the Central African Republic. A process of industrial co-ordination was shortly to be effected within the Union, which would enable the countries in the sub-region to achieve proper equilibrium and avoid dispersal of effort.

Summary of statement made at the 45th plenary meeting, 6 February 1968, by Mr. Jean Umba di Lutete, Vice-Minister of Foreign Affairs and Foreign Trade of the Democratic Republic of the Congo

1. Mr. Umba di Lutete (Democratic Republic of the Congo) said that the aims stated in the preamble to the Final Act of the first session of the Conference¹⁸ were still entirely valid. The world was still divided into rich zones and poverty-stricken zones, and it was the task of the Conference to study the real prospects and to explore the possibility of laying the foundations of economic development.

2. It must, however, be observed that the recommendations adopted at Geneva by the duly appointed represent-

atives of the signatory countries had not been applied, and that the under-development of the countries of the Third World had continually increased during the United Nations Development Decade. While average *per capita* income in the developed countries was growing by \$60 per year, the corresponding figure in the developing world was under \$2; and the difference in real income *per capita* between the rich and the poor countries was continually growing.

3. The buying power of the Third World was steadily falling by \$2,500 million per year, which increased its indebtedness. The public debt of the developing countries

¹⁸ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations Sales No.: 64.II.B.11), pp. 3-9.

had quadrupled between 1955 and 1966, reaching \$40,000 million, and it was to be feared that by 1970 the effects of external financial help would be simply wiped out.

4. While the conditions on which assistance to development was granted were growing more severe, the income received by the countries of the Third World from their external trade was falling regularly, and their share in world trade was decreasing (20 per cent in 1966 as against 27 per cent in 1953). In the manufactures sector itself, where trade was most dynamic and most profitable, the increase in exports from the developing countries had been no more than \$3,000 million between 1954 and 1956, whereas it had reached \$10,000 million for the Eastern European countries and \$65,000 million for Western Europe.

5. The international community must correct those unfavourable trends and create conditions in which all nations might enjoy economic and social well-being. The gravity of the problem required the urgent adoption and application of a global development strategy comprising converging steps by the industrialized and the developing countries. His delegation hoped that the discussions would concentrate mainly on particular problems judged ripe for attention with some chance of reaching practical solutions. Other questions, however, might be dealt with in a general debate, even if there was no hope of reaching a satisfactory solution at once.

6. The Democratic Republic of the Congo supported unreservedly the contents of the Charter of Algiers (TD/38), of which it was a signatory and which it hoped would help the Conference to realize its goals more completely. The Charter called for immediate international action in three main sectors: commodities, manufactures and development financing.

7. His delegation thought that the problems of commodities should be governed wherever necessary by international agreements negotiated on a product-by-product basis. The failure of the recent negotiations to reach a world agreement on cocoa was deeply disappointing. The Congolese authorities hoped, however, that the necessary steps would be taken shortly to start negotiations for an agreement of the same nature on natural rubber, the price of which was continually falling, while competition from synthetic products was becoming more and more prejudicial. What was required was to stabilize prices at a level which would be worth while for the producing countries and likely to stimulate consumption; to regulate sales of the product in its two forms; and to control the disposal of the strategic reserves of the developed countries. Moreover, the developed countries should reach an understanding among themselves to put an end to the policy of encouraging the production and use of substitutes capable of competing with exports from the developing countries.

8. The Democratic Republic of the Congo would support the installation of a selective and progressive system of generalized preferences guaranteeing compensatory advantages at least equivalent to those enjoyed by the countries already granted such preferences by certain developed countries.

9. Alongside that system it would be advantageous to further by all means the intensification of trade between developing countries. In that respect the Congolese delegation regretted that Congolese manufactures were less favoured on the markets of the neighbouring countries than similar products from industrialized countries, and it would fully support the measures envisaged by ECA to promote trade between African countries and the integration of their economies. At the moment that trade was held up by the existence of competitive production, by the absence of products capable of serving as a trading currency and guaranteeing return consignments, and by the fact that there were monetary zones within which a certain number of countries traded multilaterally, even when offers from outside the zone were more interesting in quality and price. What was required was to unify and guarantee the regional or sub-regional industrialization plans on a complementary basis, the installation of new industries being decided in the light of the existing industries.

10. The Democratic Republic of the Congo had opted for promoting bilateral and non-discriminatory trade, refraining hitherto from establishing tariff or quota obstacles in its foreign trade, and had negotiated and concluded bilateral commercial agreements aimed at increasing its trade with African or other countries or groups of countries. The Congo was in favour of setting up new industries within its territory and of expanding existing industries by reducing tax burdens and by offering other advantages. A code for investments, guaranteeing just and equitable returns on capital invested had been promulgated. Finally the Congo had acceded to the world agreements on the commodities of interest to its economy: coffee, tin and sugar, and would do the same shortly in respect of cocoa.

11. The Congolese Government hoped that the goodwill shown in words by the developed countries in regard to the problems worrying the developing countries would be translated into agreements on tariff and quota disarmament. The Congo was potentially rich, but the often prohibitive conditions attached to the aid granted to it, and the inadequacy of the finances at its disposal, gave it little reason to hope for a spectacular and rapid improvement in its economy. It should not be forgotten that if the economies of the developing countries continued to stagnate, and even to shrink, it would be international trade, and chiefly the trade of the developing countries, that would suffer.

**Summary of statement made at the 49th plenary meeting, 8 February 1968,
by Mr. Marcelo Fernández Font, Minister of Foreign Trade of Cuba**

1. Mr. Fernández Font (Cuba) paid a tribute to the memory of "Che" Guevara (Ernesto Guevara Serna), who had represented Cuba at the first session of the Conference and who had given his life in the struggle against

imperialism, which he had so bravely denounced at Geneva.

2. The Cuban delegation deplored the fact that the Conference was continuing to discriminate against major

countries of the world, as the People's Republic of China, the Democratic Republic of Viet-Nam, the Democratic People's Republic of Korea and the German Democratic Republic, while it admitted the Government of Formosa and the puppet régimes of the Republic of Viet-Nam and the Republic of Korea which were only kept in power by the United States occupation forces. While the four socialist countries he had mentioned were excluded from the Conference, it had been decided to admit the Republic of South Africa, which was violating the United Nations Charter by pursuing its inhuman policy of *apartheid*. Cuba had also suffered a measure of discrimination, in that it had been prevented from joining the Group of 77 and had not been able to attend the Ministerial Meeting of that Group at Algiers.

3. The present session provided an opportunity to assess the progress made since 1964. Referring to the economic growth rates of the developing countries, he said that annual *per capita* income had risen by less than 2 per cent, i.e. much more slowly than in the developed countries. Furthermore, in many developing countries, population growth had outstripped economic growth, thereby bringing about a reduction in *per capita* income; it was no longer correct to speak of the "under-developed" economies of those countries: instead, it would be truer to speak of their "regressive" economies. The under-developed countries' share of the world's trade was steadily being reduced owing to the present trend of world trade: the share of primary commodities (accounting for 85 per cent of exports from the under-developed countries) was declining and that of manufactures was increasing. The steady deterioration of the terms of trade had further aggravated the situation.

4. The statistics provided in part one of the UNCTAD secretariat report (TD/5/Rev.1)¹⁹ showed that the poor countries of the world were paying increasingly high prices for their imports, while they were receiving less and less for their exports. Hitherto, the situation had been met through external public or private financial aid in the form of gifts or loans. The Cuban delegation was not opposed, in principle, to the granting of external financial aid to developing countries to assist their advancement, but it put those countries on their guard against the terms of such aid and the dangers of penetration by foreign capital attendant on tied aid. That penetration might take different forms; in some cases, the subtle form of utilization of international financial institutions which appeared to be fair and above-board but which, as "Che" Guevara had said at Geneva in 1964, were in fact simply instruments of exploitation. There was a close link between the deterioration of terms of trade and external financing. The greater the fall in the purchasing power of exports from the developing countries, the more such countries depended on financial aid merely to keep their economies going, with the result that they plunged further and further into debt.

5. As was pointed out in part two of the secretariat's report, if present trends continued, the poor countries would increase their indebtedness in the next few years to a point at which the sums they were paying to amortize

previous debts would exceed the amount of any loans they might receive. The result would be a direct flow of capital from the poor to the rich countries. The Cuban delegation renewed its suggestion, first made in 1964: until such time as the prices of primary commodities exported by developing countries reached a level sufficient to make good the losses of the past decade, all payments of dividends, and interest and amortization payments should be suspended. The Cuban delegation wished to comment that the general statement made by the representative of the United States was absolutely contrary to the facts and to the policies of that country. In violation of the principles of the United Nations Charter and those of UNCTAD the United States Government had in fact imposed an embargo on trade with Cuba and was seeking to hamper that country's development. Not only was the United States denying all aid to Cuba, it was also taking action against any country which desired to help Cuba.

6. Many of the items on the agenda of the second session of the Conference had been taken from that of the first session, partly because the recommendations of the Final Act had not been implemented. External financial aid was stagnating and was granted on increasingly costly terms. It had not been possible to reach new agreements on commodities of interest to the developing countries. A United Nations Sugar Conference and two United Nations Cocoa Conferences had failed and negotiation of a new coffee agreement had been suspended. The Kennedy Round had improved the prospects for trade among the developed capitalist countries and offered only marginal advantages to the developing countries. Discriminatory practices in shipping had been a major obstacle to expansion of the developing countries' trade. The developed countries had not fulfilled their undertaking to grant net financial resources equivalent to 1 per cent of their national income to the poor countries.

7. The question of a sugar agreement was of vital importance. The developed capitalist countries had not respected the status quo and had continued to increase subsidized sugar-beet production. In his report to the Conference, the Secretary-General of UNCTAD had mentioned the proposal that 65 per cent of the increase in the developed countries' sugar consumption should be covered by domestic production and 35 per cent by imports. Cuba opposed endorsement of that percentage. An effort must be made to keep the developed beet-producing countries from increasing their costly production and to see that they covered the increase in their consumption solely through imports of cane sugar from the developing countries.

8. Regarding the transfer of net financial resources equivalent to 1 per cent of the developed countries' national income, he pointed out that the United States, which had not fulfilled that percentage, was preparing to spend \$26,000 million or 14 per cent of its national budget, to finance the war in Viet-Nam. The Cuban delegation protested against the fact that the United States were willing to spend sums equivalent to several alliances for progress in order to destroy one developing nation.

9. His delegation believed that the problem of under-development would not be solved in international conferences. The imperialists would never easily forego their

¹⁹ *Review of International Trade and Development, 1967* (United Nations publication, Sales No.: E.68.II.D.4).

privileges. The developing nations would have to take the initiative. In order to leave under-development behind, a country had to mobilize all its natural, human and financial resources, carry out land reform, develop its underground resources — by taking them out of the hands of foreign firms if necessary — establish State control over foreign trade, etc. In many countries, those measures met with opposition from powerful interests; in such cases, peoples should not hesitate to take the revolutionary path, as Cuba had taken that of socialist revolution, a path which had proved worthwhile.

10. The Cuban delegation approved the efforts being made to conclude commodity agreements, to improve the access

of the developing countries' primary commodities to the developed countries' markets by elimination of tariff and non-tariff barriers, to establish a general non-reciprocal and non-discriminatory preference scheme for the developing countries' manufactures and semi-manufactures and to have the rich countries devote at least 1 per cent of their national income to aid to the poor countries, drawing those funds from their military budget if necessary. However, it warned its brother countries against the general promises and statements which would be made at the Conference, which did not merit too much credence. The path to take towards development was that of revolution.

**Summary of statement made at the 45th plenary meeting, 6 February 1968,
by Mr. Andreas Araouzos, Minister of Commerce and Industry of Cyprus**

1. Mr. Araouzos (Cyprus) felt that the progress made in economic development since the first session of the Conference had been disappointingly slow. The international community could not afford to lose more time. The main responsibility for action lay with the industrialized nations, but the developing countries, for their part, would have to take substantive measures to transform their economic and social structure. The industrialized nations would have to make financial sacrifices. Aid alone, albeit necessary, was insufficient: the developing countries should also have free access to stable markets for the sale of their manufactures and semi-manufactures their primary commodities, to achieve a healthy balance of payments.

2. Speaking as a representative of a country which depended on a system of preferences he would urge the Conference, in regard to primary as well as processed and semi-processed products, to bear in mind the serious repercussions which the removal of those preferences would have on a country like his own.

3. The Kennedy Round had done little for the developing countries. It would be for UNCTAD, at the present session, to work out means whereby the developing countries would be able to increase their exports, so as to prevent the further widening of the gap between the two groups of nations — a goal, he felt, which was not beyond the Conference's reach.

**Summary of statement made at the 44th plenary meeting, 6 February 1968,
by Mr. František Hamouz, Minister for Foreign Trade of Czechoslovakia**

1. Mr. Hamouz (Czechoslovakia) said that his country, with other socialist countries, had played an active role in establishing UNCTAD, an organization which filled a serious gap in the United Nations system.

2. In four years UNCTAD had achieved a number of positive results, not only in organizing its work and working methods, but also in carrying out some of the recommendations adopted at the first session of the Conference and in applying certain principles with regard to trade relations and policy.

3. Nevertheless, the development of world trade continued to lag considerably behind the possibilities offered by the world economy. The principles enunciated at the first session of the Conference were far from being accepted by all countries, and the Conference had not succeeded in regularizing trade between the socialist countries and the developed capitalist countries. That inadequate progress created an understandable uneasiness among the developing countries, as was testified by the Charter of Algiers. Czechoslovakia appreciated that uneasiness all the better, since a Goodwill Mission had visited the country to explain the principles underlying the Charter of Algiers.

However, that Charter did not adequately distinguish between the attitude of the capitalist countries and that of the socialist countries, and Czechoslovakia had drawn that to the attention of the members of the Mission.

4. If international economic co-operation was to develop to the maximum extent, a favourable international political atmosphere was required. There were unfortunately factors which militated against the creation of the desired international climate, particularly the colonial wars which were being waged in various parts in the world; there was also the fact that the Conference had not yet admitted as members certain countries such as the German Democratic Republic which, owing to its highly developed economy, could contribute much to the development of international economic co-operation.

5. During its second session, the Conference should essentially aim at solving certain structural and institutional problems standing in the way of world trade, so that each country could benefit fully, on a perfectly equal footing, from the advantages of an international division of labour and international trade, which constituted the most important external source of economic

growth. The States members of UNCTAD would achieve that only if they had a political will to adopt an economic policy in conformity with the principles enunciated at the first session of the Conference.

6. Czechoslovakia knew from experience that in order thus to benefit from international economic co-operation and assistance, each country should mobilize all its resources and undertake the indispensable social and economic reforms.

7. Reviewing the progress made in Czechoslovakia's national economy and foreign trade, he mentioned the following points: the national income had increased by 15 per cent between 1963 and 1966 and industrial production by 18 per cent during the same period. The new system of planned management which had been introduced stressed the need to derive optimum benefit from the advantages of the international division of labour. Foreign trade played a very important role in the Czechoslovak economy, since exports accounted for about 20 per cent of the national income. The volume of foreign trade had increased by 19 per cent between 1963 and 1966, while exports had risen by 13 per cent and imports by 27 per cent.

8. Two-thirds of the foreign trade of Czechoslovakia was with other socialist countries. In view of its long-term nature it was possible to introduce planning as well as specialization in foreign trade. In the context of long-term co-operation, his country had so far granted long-term credits amounting to \$1,500 million to other socialist countries. Those long-term credits made possible the indispensable development of resources and the purchase of essential products.

9. The developing countries had absorbed 14.5 per cent of Czechoslovakia's foreign trade in 1966; trade with those countries had increased by more than 30 per cent between 1963 and 1966. Imports had risen by a little more (34 per cent) than exports (28 per cent).

10. Czechoslovakia intended to increase still further the volume of its trade and to diversify it. It intended in particular to import an increasing volume of manufactures and semi-manufactures from developing countries and

not merely primary commodities and industrial raw materials. Imports of manufactures and semi-manufactures from the developing countries, which had accounted for 0.8 per cent of Czechoslovakia's total imports from those countries in 1964, had risen to 14.4 per cent in 1966.

11. Czechoslovakia's trade with the developing countries took place chiefly under multilateral agreements. The country had also entered into bilateral agreements not only on trade but also on scientific and technical co-operation. Unfortunately, Czechoslovakia's efforts to increase its trade with the developing countries did not always find a response in those countries. There were certain countries with which his country had not yet been able to normalize its trade relations; under the pressure of certain direct or indirect political influences, those countries were unable to grant to Czechoslovakia the same conditions as they did to other countries.

12. Nevertheless, Czechoslovakia would pursue its policy of aid for industrialization of the developing countries and, in particular, would continue to grant long-term credits. From 1955 to the end of 1967 Czechoslovakia had concluded inter-governmental credit agreements with twenty-one developing countries for a total amount of \$700 million, of which \$400 million had been granted between 1964 and 1967, i.e. since the first session of the Conference.

13. Realizing that artificial barriers still stood in the way of trade expansion, Czechoslovakia was willing to support any co-operation plan which would normalize trade relations between East and West. The Czechoslovak delegation would refer to that question in greater detail in the competent committees.

14. The Conference should also seek ways and means of promoting commodity agreements which would stabilize markets and encourage trade in manufactures and semi-manufactures.

15. Czechoslovakia pledged to expand to the greatest possible extent its technical assistance and co-operation with the developing countries; it would seek to help those countries in carrying out their structural reforms, with the aim of ensuring a greater regularization of international trade.

**Summary of statement made at the 59th plenary meeting, 14 February 1968,
by Mr. Wilhelm Ulrichsen, Minister, Head of Department, Ministry of Foreign Affairs of Denmark**

1. Mr. Ulrichsen (Denmark) said that in its first message to the Folketing, the new Danish Government had pledged itself to follow the policy laid down by the previous Government as regards trade and development assistance.

2. He paid a tribute to the Secretary-General of UNCTAD and to the secretariat for the comprehensive and yet succinct documentation they had provided on the various agenda items. An important feature of the preparations for the second session of the Conference had been the adoption of the Charter of Algiers (TD/38) by the Ministerial Meeting of the Group of 77. The Danish

Government appreciated very much the endeavours of the developing countries to make known their views and proposals well in advance of the Conference.

3. He drew attention to the statements by the representatives of Sweden (44th meeting), Finland (44th meeting) and Norway (46th meeting) in which they had indicated that the Nordic countries had made it a point to seek a common positive stand on the issues considered to be the likely centres of gravity in the forthcoming discussions. Many speakers had expressed serious concern because the export earnings from many important commodities produced by the developing countries had continued to fall

during recent years. The Danish Government shared the view that the responsibility for alleviating the situation in the field of commodities rested with all members of the Conference. At the first session of the Conference a number of countries, including Denmark, had taken the position that the emphasis should be placed on efforts for freer access to the markets of the industrialized countries. It was generally recognized at the present time that that would not suffice.

4. Denmark was prepared to join in efforts to pursue all possibilities for concluding new commodity agreements, but at the same time saw the need for some fresh thinking both as regards procedures for establishing commodity agreements and the techniques applied in such agreements. Meanwhile, however, Denmark supported the supplementary financing measures proposed by Sweden and the United Kingdom of Great Britain and Northern Ireland at the first session of the Conference²⁰ and would consider favourably any suitable proposal aimed at the provision of specific financial assistance within the framework of an international policy on commodities. Denmark regarded price stabilization arrangements and supplementary financial measures as complementary approaches to the objective of stabilizing the export earnings of developing countries.

5. Denmark would favour any general scheme for the dismantling of trade barriers and was prepared to support the Swedish suggestion for a reduction of duties on industrial raw materials, just as, during the Kennedy Round, the Nordic countries had advocated the reduction of duties on tropical products. His country, whose economy was still dependent on export opportunities for temperate agricultural products, shared the disappointment voiced by other agricultural exporting countries and hoped that GATT would soon initiate negotiations with a view to the conclusion of world-wide agreements on feed grains, meats and dairy products.

6. Denmark held it an achievement of the Kennedy Round negotiations that so many industrialized countries now declared themselves in favour of a generalized system of tariff preferences for the developing countries. His delegation ardently hoped that the current deliberations on a system of preferences in which it intended to take an active part, would soon lead to the elaboration of a full-fledged preference system. Once such a scheme was put into effect, the preferences at present enjoyed by some European countries in some of the developing countries should, in his delegation's opinion, be gradually phased out.

7. To be of real and practical value to the developing countries, preferences must be accompanied by trade promotion measures. Denmark was anxious to learn how developing countries viewed their marketing problems, and it was prepared to consider favourably any suitable proposal for technical assistance in trade promotion.

8. In the field of shipping, his delegation welcomed the establishment, through the efforts of the Committee on Shipping, of shippers' councils and consultation machinery, which would undoubtedly prove to be of great importance to international trade by bridging what had been called the "communications gap" between conferences and shippers. It unreservedly supported the statement of the Norwegian Minister of Commerce, who had expressed his country's desire to co-operate with both the developing and the developed countries in fostering healthy competition and trying by all possible means to reduce costs and increase efficiency in international shipping.

9. With regard to development financing, Denmark had embarked on the implementation of a plan to bring its development assistance up to 1 per cent of its net national income by 1972. Funds had already been more or less earmarked up to 1970 for increased Danish contribution to UNDP and the World Food Programme, for participation in the replenishment of IDA, and for the implementation of a scheme for supplementary financial measures. At a later stage, Denmark would be very interested in proposals for assistance for diversification and in schemes for alleviating the food problem of the developing countries.

10. While Denmark could hardly be expected to concur in a new aid target as long as the previous 1 per cent target had not been met, it was not opposed in principle to a target based on the gross domestic product. Moreover, Denmark was quite prepared to consider new targets to be striven for in the course of the 1970s. In Denmark's opinion, the target procedure was a very appropriate approach to providing the developing countries with adequate financial resources.

11. The circumstances in which assistance was rendered were of no less importance than its volume. The debt problems of many developing countries was evidence of that. As much as half of the assistance provided by Denmark was in the form of free grants channelled through multilateral institutions; since 1966, all loans had been granted free of interest, and since 1967 the repayment period had been extended to twenty-five years, as recommended in General Assembly resolution 2170 (XXI).

12. In conclusion, his delegation recognized the need for the adoption of a global development strategy. The Conference was called upon to work out a framework of trade and development assistance measures involving all three groups of countries members of the Conference. In response to the appeal addressed to them by the Secretary-General of the United Nations at the 51st meeting (see TD/67) the countries of East and West should pool their resources for assistance to developing countries. In order to solve long-term problems, a global strategy should provide for the establishment of a set of targets for economic and social development during the next decade. To deal with short-term problems, Denmark hoped that the Conference would adopt action programmes comprising, *inter alia*, various trade liberalization measures in favour of the developing countries.

²⁰ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 200-203.

**Summary of statement made at the 66th plenary meeting, 12 March 1968,
by Mr. Poul Hartling, Minister for Foreign Affairs of Denmark**

1. Mr. Hartling (Denmark) recalled that the problems of economic development were manifold. While the mobilization of all internal and external resources was of crucial importance, education and vocational training, in particular, were essential prerequisites for the fullest use of human and material resources. In Denmark the dissemination of knowledge through education and guidance had formed the basis of agricultural and industrial development. In the light of its own experience Denmark attached the greatest importance to aid designed to assist developing countries in acquiring the practical and theoretical knowledge needed to expand their productive capacity. Denmark realized, however, that technical assistance even in the widest sense met only one of the fundamental needs of developing countries. At the same time it considered that investment must go hand in hand with education in order to provide employment for skilled workers. Without trained personnel modern techniques could not be utilized effectively either in industry or in agriculture. Also, capital investment on a steadily increasing scale was necessary.

2. Although Denmark was currently facing economic difficulties, the Government had announced its firm intention to implement the five-year plan of assistance to developing countries instituted in 1967. It had also expressed its readiness to examine the possibility of speeding up the programme with a view to reaching the target sooner than planned. The Danish plan involved an increase in disbursements of some 300 per cent over the years 1967 to 1972. The procedure consisting in setting targets for the transfer of resources to developing countries had proved to be a rewarding experience and the Danish Government was willing to pursue it further and to accept a target based on the gross national product for the second United Nations Development Decade.

3. A bill had just been tabled in the Danish Parliament which would expand the framework of official loans which could be granted for development purposes by 60 per cent. Under its terms the Government would be empowered to grant loans up to an amount of 800 million Kroner, or approximately \$110 million. He was confident that the bill would be passed by Parliament during the spring session.

4. Another element in Denmark's external economic policy was the liberalization and expansion of international trade. The aim of that policy was to achieve the optimal use of all available resources by promoting the free circulation of goods and services. As a trading and shipping nation, Denmark was vitally interested in efforts to that end. At the same time Denmark recognized the obligation for special measures to be taken to solve the most urgent commodity problems of the developing countries.

5. Denmark was prepared to accept a full share of responsibility in assisting the developing countries to increase and stabilize their earnings from commodity exports in convertible currencies. Hence Denmark was ready to accept, at the present session of the Conference, programmes for the examination of the problems relating to various commodities, on the basis of documentation to be submitted by the developing countries concerned. It was also

ready to take part, after the Conference, in discussions with a view to establishing a general framework for commodity agreements.

6. Planning was generally accepted as a necessary means of promoting economic growth. Although it was impossible to eliminate all elements of uncertainty from such planning, it was possible to minimize some of them, such as unexpected shortfalls in the export earnings of developing countries. It was urgently necessary to reduce to a minimum the adverse effects which such shortfalls could have on the execution of the development plans of those countries, and to stabilize the level of their export earnings, particularly since the flow of capital to developing countries had slowed down in recent years. It was therefore obvious that the Danish Government attached great importance to, and fully supported, the efforts to establish a scheme of supplementary financing and to conclude commodity arrangements. Positive action could and should be taken at the present session of the Conference in regard to the institution of that scheme.

7. Denmark considered that the scheme of preferences envisaged should offer advantages to all the developing countries. When considering the product coverage of the preferential scheme, Denmark would give special attention to particular export interests. The Danish Government would support any procedure which would lead to an early agreement between the least advanced and the developed countries on a full-fledged preference scheme. It was to be hoped that such a scheme could be implemented in the course of 1970.

8. In regard to tariff preferences and the scheme for supplementary financing, intensive follow-up work would have to be carried out after the present session of the Conference — whatever its outcome — in order to bring the new schemes into effect. The Conference should therefore draw up a time-table for the discussion of those two questions, so that the Trade and Development Board could undertake final consideration of detailed and concrete proposals in the spring of 1969. A similar procedure could be adopted in regard to the establishment of the general framework for commodity arrangements. Thus the Board could devote its whole attention, at its eight session in the spring of 1969, to those three questions: preferences, supplementary financing and a general framework for commodity arrangements. It might be worth considering the possibility of holding that session at ministerial level.

9. The figures given in the report of the Secretary-General to the Conference (TD/3/Rev.1)²¹ proved clearly that there was a correlation between growth-rate, increase in exports and the amount of aid received. That confirmed the Danish view that the provision of financial and technical assistance and the creation of new export opportunities had in fact produced favourable results.

²¹ *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6).

**Summary of statement made at the 60th plenary meeting, 15 February 1968, by Mr. José R. Martínez Cobo,
Permanent Representative of Ecuador to the United Nations Office at Geneva**

1. Mr. Martínez Cobo (Ecuador) recalled that, twelve years earlier, Mr. Nehru had pointed out, in his opening address to the eighth session of the General Conference of UNESCO in New Delhi, that India, as a country that had achieved a high degree of peaceful coexistence among its peoples, was a fitting place for a meeting whose ultimate objective was peace. It augured well that the daughter of that famous leader had now opened another Conference whose aim was also peace, but through the path of development.

2. At the present Conference, the less favoured nations would take the opportunity of showing world public opinion how the economic situation in Asia, Africa and Latin America was deteriorating daily; the measures being taken were inadequate and mere words not enough. World economic leaders would be warned, once again, of the dangers inherent in disillusionment.

3. The negotiations carried out, under the able guidance of the Secretary-General of UNCTAD in the four years since the first session of the Conference had led to a clear understanding of the nature of the basic needs of the so-called Third World. It was now the task of the second session to convert the intellectual work of those years into positive action in the sphere of international economic relations. It would be serious indeed if representatives had to return to their countries without seeing put into effect certain agreed decisions.

4. The insistence of the Governments of the developing countries on the need for a speedy solution to the problems of under-development was understandable; their peoples, who accounted for two-thirds of the world's population, were impatient to emerge from their backward condition. The claims made by their representatives were therefore perfectly reasonable, although nobody expected the Conference to introduce basic changes in the international trade and monetary system — there would be many more conferences before that happened. The industrialized and the socialist countries should, however, realize that no state, however powerful, could maintain its prosperity in isolation and should, therefore, indicate — quite frankly — on which points in the Charter of Algiers they were prepared to negotiate.

5. Commenting upon points which, in his delegation's opinion, deserved priority consideration, he said that, in the first place, the Conference should reaffirm its faith in UNCTAD as the appropriate international forum for the settlement of world trade problems. Negotiations of the Kennedy Round type were not the best for the poorer countries. It was therefore necessary to demand strict implementation of those General Assembly resolutions which called for UNCTAD to be recognized as the leading organization in matters of international trade and development.

6. New measures in respect of primary commodities were urgently needed. Despite the soothing words uttered at the first session of the Conference, the terms of trade had

continued to deteriorate — to such an extent that developing countries found it impossible to meet the costs of essential imports from their export earnings. It was unnecessary to quote facts and figures; all that was needed was to compare the amount of coffee, bananas, tin or copper that had to be sold to buy tractors in the 1950s with the amount required for the same purchase today. The continuing decline in world market prices nullified whatever external aid the developing countries received.

7. The more favoured nations had advocated two possible courses: diversification of production and rapid industrialization. The problem was not that simple, however. Experience had shown that, in some areas, industrialization would not stimulate development to any significant degree. The immediate key to economic progress for such areas was market access. Following the discovery in recent years of synthetic substances, there had been a falling off in the demand for primary commodities and the industrialized countries, closing ranks, had introduced economic reforms which had aggravated the crisis. Until the severe restrictions to which primary commodities were presently subjected were removed, all the developing countries' efforts would be seriously hampered.

8. That the recent United Nations Cocoa Conference had been a fiasco, despite apparently auspicious conditions for agreement, was a matter of grave concern. Responsibility for that failure had been attributed to the action of a few Governments and also to the need for more time; but the hard fact was — as clearly revealed at that Conference — that there had been no change in the attitude of Governments with respect to the principles adopted at the first session of the United Nations Conference on Trade and Development. It had also become apparent that industrial consortia and other negotiating bodies were sufficiently powerful to influence Governments. But that experience should not inhibit the UNCTAD secretariat in its efforts to promote negotiations for agreement on other commodities, for which the Conference could pave the way by solving such questions as discriminatory preferences and bufferstock financing.

9. Discriminatory preferences constituted a major obstacle in marketing primary commodities and in implementing the principles adopted by the first session of the Conference. Ecuador lived in fear that the traditional markets for its main product — the banana — would be shut off, thereby ruining the country's already weak economy. At the Ministerial Meeting of the Group of 77 in Algiers, there had been general agreement that such preferences should be ended, by introducing some form of compensation to offset any imbalance. The Conference should not disregard that question, for, if such preferences were extended to other areas, world trade would become compartmentalized.

10. Referring to the need for increased exports of manufactures and semi-manufactures from the developing countries, he said that the statement made by the President

of the United States of America at Punta del Este²² in that connexion had been encouraging. Moreover, the apparent willingness of members of OECD to grant certain temporary preferential tariff concessions to the developing countries paved the way for the Conference to find a substitute for the so-called "most-favoured nation" clause. Perhaps, in the days ahead, the industrialized countries would find an appropriate formula so that the OECD agreement could be put into effect.

11. The less-favoured nations, although dissatisfied with many of the conclusions reached at the First Conference, had felt that some progress had been made with the adoption of General Principle Eleven in annex A.I.1 to the Final Act of that Conference.²³ It was evident, however, both from the documents before the second Conference and from the statements made by the representatives of the international financial institutions, that, far from attaining that modest standard, the situation had deteriorated still further since the first session of the Conference — to such an extent, in fact, that countries which had been solvent at the end of the Second World War had, through the weight of their external debt, been reduced to the status of debtors.

12. It was difficult for the developing countries to make progress when they were losing large amounts of foreign exchange every year and were even obliged — paradoxically — to export capital to the industrialized countries. The Conference should look into the question of providing adequate financial and technical aid for the least developed countries, a subject on which some excellent studies were available.

13. Referring to the world food situation, of which the Director-General of FAO had already given a vivid account (52nd meeting), he said it was pointless to think in terms of using the surpluses in the developed countries or of increasing food production. Millions of tons of food-stuffs were being wasted through lack of a proper marketing system: his own country had to throw away thousands of bunches of high quality bananas solely because there was nobody to buy them. He suggested, therefore, that, as a transitory measure, the United Nations should be asked to make a substantial increase in the funds allocated to the Food Aid Programme so that non-exportable surpluses of food in the developing countries could be bought up in an amount proportional to the foreign exchange required for the development of the country concerned.

²² Meeting of Heads of State of the American States, held at Punta del Este, Uruguay, 12-14 April 1967.

²³ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report*, p. 21.

14. One positive factor that had emerged in the four years since the first session of the Conference was the impetus that regional and sub-regional integration had assumed in areas such as Latin America. Trade between developing countries was still negligible, however, even though, once the problem of transport and communication was surmounted, such countries could offer one another better conditions of market access. In that connexion, the Conference should endorse the compromise agreements concluded at the Ministerial Meeting of the Group of 77 in Algiers and should urge all developing countries to negotiate with one another commercially; it should, moreover, require such countries not to raise tariff barriers among themselves nor to engage in uneconomic ventures.

15. The Conference should also discuss the possibility of expanding trade with the centrally-planned economies. That trade, although on a modest scale at present, was increasing yearly. Ecuador, for example, had recently concluded a number of agreements for such trade. That the major part of such trade involved only a limited number of developing countries should give cause for concern. Once UNCTAD had made the necessary studies, more vigorous action could be taken, for example, to secure maximum multilateralization of the commercial agreements between developing countries and those with centrally planned economies.

16. His delegation attached special importance to the measures to be adopted in respect of the least developed of the developing countries — countries which needed help and understanding not from the highly industrialized nations alone but, above all, from the relatively more advanced of the developing nations.

17. As recognized in the Charter of Algiers, economic development had to be generated from within each country concerned but, without adequate international support, progress would not be dynamic. His delegation therefore considered that the Conference should seek to arrive at a formula providing for a balanced combination of both national and international effort. Moreover, the Governments of developing countries should undertake to use the resources given to them solely for raising the living standard of their people, and should not squander them on items of political expediency or on acquiring military equipment that only created a climate of mistrust among the developing countries.

18. In conclusion, he said that India had always been a land of pilgrimage. As lay pilgrims, representatives had come from all parts of the world to attend the Conference, whose aim was international collaboration. He trusted the Conference would not be frustrated in that aim.

**Summary of statement made at the 45th plenary meeting, 6 February 1968,
by Mr. Abebe Retta, Minister of Commerce and Industry of Ethiopia**

1. Mr. Retta (Ethiopia) applauded the results which had already been achieved since the first session of the United Nations Conference on Trade and Development and especially the agreement which had been reached both

on the principle of non-reciprocal and non-discriminatory preferences to be granted to the manufactured and semi-manufactured products including processed and semi-processed agricultural products, of the developing countries,

and on the need to set up machinery for the supplementary financing of development. The deliberations which had taken place at the Ministerial Meeting of the Group of 77 in Algiers and the atmosphere of goodwill and understanding which had been established should enable the second session of the United Nations Conference on Trade and Development to achieve solid and decisive results.

2. It was essential that adequate financial resources should be made available to the developing countries so that they could reach the targets of the United Nations Development Decade. The trade gap of the developing countries was an obstacle to the importation of the capital goods vital for their economic growth.

3. Deploping the fact that the share of the developing countries' exports in world trade had declined steadily since 1960, he urged the developed countries to take positive steps to make their markets more accessible to the developing countries' products. The Conference should prepare a scheme of preferences for the manufactures and semi-manufactures of the developing countries, a plan for the removal of the quantitative restrictions holding back those countries' exports and a programme for their expansion. The developing countries, for their part, would have to make changes in the structure of their exports so that they would no longer depend solely on marketing a narrow range of raw materials or agricultural products. Ethiopia's policy would follow that line.

4. All that would take time, however, and in the meantime priority should be given to the problems of commodity trade, in accordance with the first session's recommendations. It was regrettable that no progress had been made in that connexion and that the Kennedy Round had not affected the national agricultural support policies of the developed countries or eliminated non-tariff barriers.

5. It was for the present Conference to decide what definite steps should be taken to liberalize trade in primary

commodities. It might see fit, perhaps, to consider the advisability of establishing appropriate permanent machinery for inter-governmental consultation for the purpose of formulating decisions designed to make markets accessible and prices stable.

6. The developing countries, in order to obtain the capital they required for equipment, were forced to turn to international sources of financing. The developed countries however, were still a long way from devoting 1 per cent of their gross national product to development aid. The Conference would have to find means of augmenting the flow of capital to developing countries, replenishing the resources of bodies like IDA and supporting the efforts of regional institutions such as the African Development Bank. In particular, the international and regional financial institutions needed to be provided with easier access to the private capital market and the developing countries given more favourable terms of finance to enable them to service their debts.

7. While it was true that the problems of development should be considered globally, it was also essential that the measures taken should meet the needs of each country individually. Special assistance should be given to the least advanced among the developing countries in accordance with the conclusions reached by the working group set up by the second Committee of the Ministerial Meeting of the Group of 77 which met in Algiers from 10 to 25 October 1967 (see TD/38/Add.1, pp. 15-21). The report of that Group might provide a useful basis for discussion. The responsibility for development lay first and foremost with the developing countries, but their efforts would be inadequate without the assistance of the international community, which would itself benefit from the progress made, inasmuch as successful economic development would be a factor for stability and peace in the world. The sole aim of the Ministerial Meeting had been to harmonize the efforts of the developing countries and to lay the foundations for future co-operation with the developed countries.

**Summary of statement made at the 40th plenary meeting, 5 February 1968,
by Mr. Karl Schiller, Minister of Economic Affairs of the Federal Republic of Germany**

1. Mr. Schiller (Federal Republic of Germany) said that his Government and people recognized that the fates of developed and developing countries were closely linked and that nobody could withdraw into prosperous isolation. There was no natural law according to which the old industrialized countries must always enjoy higher growth rates than the developing countries. Progress must be world wide. International peace and stability could not be achieved until the great economic and social inequalities in the world were reduced.

2. The fundamental problem was to shorten the development process, which had taken many decades, or even centuries, in the old industrialized countries. That required synchronized and co-ordinated investment in the developing countries, designed for quick use and efficiency. But aid given by the industrialized countries must be accom-

panied by an adequate economic and financial policy in the developing countries.

3. At the same time progress in the developing countries largely depended on a high degree of economic growth in the old industrialized countries, which alone could create the necessary demand for exports from the developing countries. For example, during the recession of 1966-1967, his country's imports had declined by 3.5 per cent, while exports had risen by 8 per cent. But the Federal Government had turned the tide by a programme of public investment and the easing of monetary facilities, so that it was expected that, in 1968, imports by the Federal Republic of Germany would rise by almost 10 per cent. A silent revolution in the old industrialized countries had swept away the ancient *laissez-faire* attitude. The new policy for stability and growth was not only necessary for

the industrialized countries themselves; it was an inevitable pre-condition for the development of the new countries.

4. The same interdependence was apparent in the field of international monetary policy. The new system of Special Drawing Rights on the IMF worked out at Rio de Janeiro in 1967,²⁴ would be particularly important if countries with leading currencies tried to cut their balance-of-payments deficits by drastic measures which reduced world liquidity. The special drawing rights would help to counteract such measures. But they must not be used as an instrument of world inflation. They were intended to create the necessary credit facilities for a steady growth of world trade, and as such they were of special interest to the developing countries.

5. The national economies of most developing countries rested on too narrow a basis. Exports of raw materials still accounted for more than 80 per cent of their foreign exchange earnings, so that the crucial problem was to create a broader and more diversified production. Not only lack of capital and know-how, but obsolete social conditions and attitudes rendered that task more difficult. Development was not just a technological problem, it was primarily a question of social reforms. All aid would be in vain if it only preserved old social structures.

6. The developing countries must be integrated into the system of the international division of labour. Aid could not be replaced by trade alone, but it must be sustained and multiplied by trade. Tariffs and other barriers to trade, whether between the industrialized and the developing countries or between the developing countries themselves were bad. The industrialized countries must be prepared to open their markets more and more to the products of the developing countries and to adapt their industries so as to permit certain kinds of production to be increasingly located in developing countries.

7. It was very important that the decisions taken during the Kennedy Round should be carried out. The Government of the Federal Republic thought it essential for the industrialized countries to overcome any possible difficulties only by internal measures of adaptation. There were certain signs of new restrictive measures in some countries of the industrialized world which might lead to a dangerous frustration both for the industrialized and for the developing countries. Such a setback must be avoided at all costs. The possible answer to a threatening renaissance of old protectionism might therefore be to shorten the time-table of the Kennedy Round. There was real danger in delaying it.

8. Earnings from commodity exports would continue to be a major source of income for many developing countries. Arrangements for commodities subject to

extreme market fluctuations had their value, but if they provided for price-fixing against strong market trends, they would simply favour the process by which primary commodities were replaced by substitutes. In any event, the selling of primary products would, in the long run, be affected by technological progress, so that the production and export of manufactures and semi-manufactures would become increasingly important.

9. The proposal for preferential tariff rates made by OECD had the Federal Republic's full support. The Conference should strive to reach understanding on the essential principles of a general system of preferential tariffs, taking into consideration the interests of all developing countries.

10. Financial assistance was under pressure due to the growing debt burden of the developing countries. The Federal Republic would try, by the end of 1968, to give full effect to the terms and conditions recommended by OECD and the Economic and Social Council of the United Nations. In its new five-year financial planning, his Government had given special priority to financial assistance for developing countries. From 1967 to 1971, budget funds for public development assistance would be expanded by 11 per cent per year: almost twice as fast as total public expenditure.

11. By a number of measures, especially the Development Assistance Tax Law, the Federal Republic of Germany was promoting private investment in developing countries, but many investors met with great obstacles abroad. Public financial assistance was particularly appropriate to investment in infrastructure and basic industries, but private capital was particularly useful to fill the gaps and cover the needs of the processing industries. The system of mixed public and private financing provided a maximum multiplier for public financial aid; and in that combination, there was no reason for mistrust against private investors.

12. The Government of the Federal Republic of Germany would co-operate in a constructive spirit in further deliberations on the problem of supplementary financing. It was also prepared to increase its contribution to the funds of IDA by 60 per cent.

13. The issues before the Conference were issues of world politics and must be approached with eyes turned to the future. In many countries, social values and social relationships were not in harmony with the necessary conditions of modern production. Moreover, sweeping technological progress created new "cultural lags" even in the old centres of the industrialized world. The Conference provided an unrivalled opportunity for countries to compare their social values by rational discussion, and to find the common elements in the world-wide movement which the Conference represented. Development did not merely mean redistributing wealth between rich and poor countries, but the bridging of the gap between the developing and the industrialized countries, and the expansion of the growth potential of the world as a whole.

²⁴ Resolution No. 22-28, adopted on 29 September 1967, by the Board of Governors of the International Monetary Fund, in joint session with the Boards of Governors of the International Bank for Reconstruction and Development, International Finance Corporation and the International Development Association (see IMF, *Summary Proceedings, Annual Meeting, 1967*, pp. 271-279).

**Summary of statement made at the 44th plenary meeting, 6 February 1968,
by Mr. Olavi Salonen, Minister of Trade and Industry of Finland**

1. Mr. Salonen (Finland) said that his Government would continue to support UNCTAD as in the past, since the problems of under-development were the great question of the day. Finland had co-operated closely with the Scandinavian countries in preparations for the second session of the United Nations Conference on Trade and Development, and was gratified to note that the Group of 77 had taken the same line.

2. International commodity arrangements should be adapted to suit individual products. As the best results could sometimes be obtained through separate commodity agreements, the Conference should specify the products susceptible of such treatment. Other methods should also be studied to cover any persistent downward price-trends due to surplus production or increasing competition from synthetic products. Diversification, rationalization and structural reform of production were also aspects of development process, and called for financial and technical assistance; but, since very little was known about them, they should be gone into more thoroughly. The stabilization of markets through buffer stocks and commodity agreements, together with diversification programmes, would have considerable financial implications. From that point of view the study at present being undertaken by IBRD²⁵ would be invaluable. His Government hoped that the closest possible co-operation between the financial institutions would be ensured and that available resources would not be frozen at present levels.

3. Attaching as it did, great importance to commodity trade, Finland had lowered or even abolished many barriers to trade in tropical products, and was generally in favour of removing them all.

4. The Conference had before it a document (TD/56) setting out basic principles for a future preference system

to cover manufactures and semi-manufactures, worked out by the major industrialized countries of Group B. Finland subscribed to those principles and was prepared to participate in discussions designed to make the system work. Negotiations would certainly be protracted; but the New Delhi session should at least produce an agreement on the principle of the proposal, giving guidelines for subsequent negotiations. That would be but a minimum desideratum.

5. The general preference system should be supplemented by measures to promote the developing countries' exports. Finland welcomed the setting-up of the joint UNCTAD/GATT International Trade Centre which would have its financial and technical support. The Centre should take advantage of experience gained and lessons learned in both the developing and the developed countries. There he would point out that in its post-war industrialization effort Finland had evolved modern techniques which could be applied in developing countries.

6. The supplementary financing scheme was a new and constructive approach to development problems. As some questions still remained to be solved, he hoped that the present session would produce agreement on guiding principles. UNCTAD's infancy had been largely an exploratory period; thenceforward its role would emerge more clearly, namely, to induce changes in national policies suited to the aims pursued.

7. The work of the Conference was inspired by a new concept: the global development strategy outlined by the Secretary-General of UNCTAD (TD/3/Rev.1).²⁶ It was a colossal and complicated task, as a definitive programme of action was not feasible; but the countries assembled in New Delhi should strive to define the initial stage of the strategy and methods of launching it. The important point was not to fetch up before technical obstacles, but to look to the future.

²⁵ See resolution No. 22-29, adopted on 29 September 1967, by the Board of Governors of the International Monetary Fund in joint session with the Boards of Governors of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association (see IMF, *Summary Proceedings, Annual Meeting, 1967*, p. 280).

²⁶ *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6).

**Summary of statement made at the 40th plenary meeting, 5 February 1968,
by Mr. Michel Debré, Minister of Economy and Finance of France**

1. Mr. Debré (France) pointed out that the gap separating the developed from the developing countries had not narrowed during the four years since the first session of the United Nations Conference on Trade and Development, thus giving rise to disappointment and concern among those who believed in the importance of international solidarity. If the Conference was to achieve concrete results, the debate should be guided by three basic principles.

2. In the first place, no serious or lasting action was possible if it was accompanied by any wish to impose political dependence. That principle was applied in particular in the case of certain natural resources which could benefit the developing countries only to the extent that the advanced countries were prepared to co-operate in their exploitation and sale. The advanced countries must never take advantage of the fact that they constituted the only possible outlet for such resources in order to

impose political conditions on the producer States. On the other hand, the developing countries must accept the idea that the development of international trade must be governed by legal regulations capable of ensuring stability of production and confidence in economic relations.

3. In the second place, serious and lasting action implied that procedures would be adapted to each country's particular stage of development. Conditions varied widely from one country to another and no uniform system was possible. In all cases, however, the aim should be to raise the living standards of the masses and especially of the poorest section of the community.

4. In the third place, serious and lasting action involved hard work and fair shares. No progress could be achieved by artificial monetary inflation. Great progress had taken place over the last fifty years in the sphere of international credit, and its extension could be a powerful weapon in the service of the developing countries. However, it had to be clearly understood that there was no magic formula to relieve countries of hard work and productive effort and encourage the belief that all countries could benefit, systematically and uninterruptedly, from the artificial creation of monetary liquidity. Both sides must realize that financial aid involved a sacrifice on the part of the developed countries at the expense of their own social progress.

5. Speaking on behalf of EEC, whose Council was at present presided over by France, he pointed out that its aim was both to improve the living standards of its members and to participate actively in the work of international solidarity. Evidence of its success could be seen in the following figures: during the period 1958-1966 exports to other countries had risen by 84.8 per cent and imports by 90.2 per cent which reflected the high rate of economic growth achieved by EEC member States. The benefits of that expansion had also favoured the developing countries, whose exports to EEC had risen to \$US 11,312 million in 1966 (compared with \$6,824 million in 1958), while imports had amounted to approximately \$8,000 million (compared with \$6,125 million in 1958). The trade balance between the EEC and the developing countries was thus at one and the same time considerable and growing.

6. The EEC was now the principal outlet of the developing countries, absorbing 24.5 per cent of their exports. While imports from the developing countries were still composed principally of raw materials, the proportion of manufactured goods had practically tripled between 1958 and 1966. Moreover, imports by the Common Market were distributed in a balanced manner between the various developing countries. It should also be noted that the concern and criticism voiced about the system of association between EEC and certain African countries had not been justified by events: the increased exports of associate members had not been to the detriment of other developing areas. All countries of the world had benefited from the policies of EEC, which had played an active part in recent efforts to expand world trade, such as the 1959 and 1963 tariff conferences organized by GATT, as a result of which the common external tariff would be lowered by an average of 40-45 per cent.

7. With regard to the manufactures and semi-manufactures of developing countries, he recalled the statement by the spokesman of the EEC in 1964 in favour of tariff preferences and was pleased to note that a large number of countries had since then supported the idea of the development of preferential tariffs. He pledged the active participation of the States members of EEC in the discussions on that important subject. As for commodities, he pointed out that since 1958 exports to EEC of bananas had risen by 67 per cent, of cocoa by 62.7 per cent, of tea by 24.5 per cent and of coffee by 46.6 per cent. The financial gains, however, had been less favourable, owing to the fall in world prices, and that was a question in which EEC took a keen interest.

8. Increase in trade among the developing countries themselves had been less satisfactory, amounting at the present time to only 20 per cent of the total. In order to improve that situation, EEC favoured sound measures of regional integration and was ready to share its own experience with other countries. It was also willing to provide assistance in the promotion of trade. In the financial field experts from EEC member States would play an active part in the work of the Committees.

9. Speaking on behalf of France, he stated that his country placed participation in the work of international solidarity at the forefront of its foreign policy. On numerous occasions over the past ten years General de Gaulle had reminded the French people of their obligations towards those countries which had yet to benefit fully from the economic and social progress made possible by modern science and technology. On 1 January 1968, the President of the Republic had stressed the importance of the present Conference. France not only affirmed the principle of international solidarity but applied it. Calculated in relation to national *per capita* income, the French effort was among the largest, and if all other direct, bilateral, European and international contributions were taken into account, it was the highest of all. A few years ago his country had proposed the figure of 1 per cent of national income and was now considerably exceeding that sum. On behalf of General de Gaulle and the French Government, he stated that his country was willing to consider a further increase in its contribution. At the same time he wished to emphasize the importance of two vital recommendations which deserved the closest possible attention.

10. In the first place he believed that of all the measures which could be taken, the organization of markets for certain raw materials and agricultural products was fundamental. Such an endeavour involved the two basic principles of aid: first, a special effort by the advanced countries which should pay more for products they needed and which the lack of organized markets permitted them to buy more cheaply, and, secondly, discipline on the part of the developing countries regarding the quantity to be produced. The result of such joint action would be to create a sense of solidarity leading to strong moral and political ties. The recent fluctuations and decline in world commodity prices and the resulting deterioration in terms of trade were a basic cause of the set-back suffered by the developing countries. Naturally, no uniform solution to the problem was possible. Agreements would have to be

worked out for each product with a view to stabilizing prices at an equitable level. The prices of food-stuffs, particularly from the tropics, could be supported, but the problem was more difficult in the case of industrial raw materials for which synthetic substitutes were available. Experience had shown that, given the right degree of political determination, those difficulties could be overcome. The Wheat Trade Convention and the International Coffee Agreement (the latter assured producers additional earnings of many billions of francs without prejudice to consumption) were examples of what could be achieved: he hoped that a similar success could be scored in the case of cocoa, rubber and oils, and drew attention to the important resolution on the stabilization of prices of primary products, adopted at Rio de Janeiro on 29 September 1967²⁷ on the initiative of several Africa States and Madagascar in which France had joined. In the light of the new possibilities opened by that resolution, in particular as regards the support which international financial institutions could give to the policy of stocking and diversification, he suggested the selection, on the basis of the discussions at the Ministerial Meeting of the Group of 77 at Algiers, of a number of products for which the conclusion of agreements was a matter of priority. A time-table of negotiations could then be drawn up.

11. The will to succeed was of equal importance in the case of technical co-operation and human resources. The developed countries could help the developing areas to make good their deficiencies by sending technical specialists to perform work themselves in the initial stage, then to train local staff, and finally to train men who would in turn train their compatriots. Such co-operation required an effort by the advanced countries and discipline from the developing countries, but it helped to foster peace and understanding between peoples, as his own country had discovered when it had decided to allow young people to replace military service by technical co-operation in the developing world. The system had produced excellent

results on both sides, since it took the form of an exchange in which equivalent services were rendered.

12. The French Government regarded financial aid and tariff preferences as vital, but considered that they must be incorporated in an over-all programme based on market organization and technical co-operation. The developing countries must modernize their agriculture and industrialize, in the first place to meet the demands of the home market. But the liberalization of world trade might be of only limited value to infant industries; the granting to them of preferential treatment should be envisaged. He reiterated, on behalf of France, what he had already emphasized on behalf of EEC, namely that it was encouraging to see accepted the principle of preferential treatment which the States members of EEC, and in particular France, had been among the first to recognize; his country would play a constructive part in the discussion on that subject. At the same time, neither the advantages enjoyed by countries which already enjoyed the existing preferences nor their freedom to protect the links which appeared to them desirable with the countries with which they were associated, could be called into question, and he therefore advocated an approach which was neither prejudiced nor dogmatic. As for financial assistance, he considered the situation unsatisfactory. In recent years, France had sought greater geographical diversity and greater flexibility in its aid programme. Its contribution to IDA would be increased by 60 per cent. There could be no doubt that the indebtedness of certain developing countries placed too heavy a burden on them, and the rise in interest rates further complicated the issue. France was willing to make a joint study of the problems and to do its best to find solutions, bearing in mind, of course, the particular situation of each of the countries in difficulties. The target of 1 per cent of national income must be taken as the most urgent immediate objective.

13. In conclusion, he pledged French co-operation in negotiations for the organization of various markets, in the expansion, sector by sector, of technical co-operation in the judicious application of regional and world-wide preferences and in reasonable financial aid machinery. Above all, he believed that the success of the Conference depended on a moral approach based on the ideals of human freedom, religious tolerance and social brotherhood.

²⁷ Resolution No. 22-29, adopted on 29 September 1967 by the Board of Governors of the International Monetary Fund in joint session with the Boards of Governors of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association (see IMF, *Summary Proceedings, Annual Meeting, 1967*, p. 280).

**Summary of statement made at the 50th plenary meeting, 8 February 1968,
by Mr. Sherrif M. Dibba, Minister of Finance of the Gambia**

1. Mr. Dibba (Gambia) regretted the continuous deterioration in the terms of trade of countries exporting primary commodities. In Gambia, for instance, where economic development depended on agriculture, the unfavourable terms of trade for ground-nuts were concerned — which constituted almost the whole of the country's exports meant that the standard of living of its people had not improved as much as its leaders would have wished.

2. Diversification of production was not a remedy in itself. It was difficult to achieve, because of scarcity of

capital and technical know-how, besides, it was not unusual for the prices of a whole group of primary commodities to decline simultaneously especially in the case of oilseeds. New methods in processing might destroy the advantages enjoyed in the past by one oilseed in a specialized market. Nothing less than international measures embracing the technical and economic aspects of the production and trade in oilseeds could ensure an appreciable improvement in the standard of living in producer countries. The problems arising out of technical developments

that facilitated substitution among different oils, the effects of price changes on production and consumption and the competition from synthetics in non-food uses should also be studied. International agreement was required for establishing minimum and maximum price ranges in order to guarantee the producers stable prices at remunerative levels, by strengthening or even replacing at the international level the local machinery for price stabilization. Lastly, ex-

pansion of export outlets and continuity of access to markets were indispensable, to enable the developing countries to increase their export earnings from oilseeds and by-products.

3. He hoped that, thanks to decisions taken at the present session of the Conference, the developed countries would increase the flow of capital and technical know-how to developing countries, to help them to achieve a fair and reasonable rate of economic development.

**Summary of statement made at the 48th plenary meeting, 8 February 1968,
by Mr. F. Ribeiro-Ayeh, Commissioner, Ministry of Trade of Ghana**

1. Mr. Ribeiro-Ayeh (Ghana) said that the main purpose of the second session of the Conference should be to consider the proposals set forth in the Charter of Algiers, (TD/38). As far as the developing countries were concerned, the real work would be performed in the various committees, with a view to producing by the end of the Conference a clear statement of the extent to which the developed countries were prepared to take action on specific issues. The developing countries should approach that task in a spirit of understanding, giving due thought to the problems of the advanced nations as well as their own.

2. He had been encouraged by the practical gestures of certain developed countries and also by the statements made by the representatives of the Federal Republic of Germany (40th meeting), the Union of Soviet Socialist Republics (39th meeting) and the United States of America (41st meeting). In the past Ghana had received technical assistance, loans and credits on favourable terms from Denmark, the Federal Republic of Germany, the United Kingdom of Great Britain and Northern Ireland and the United States of America. However, he wished to stress, in the light of past experience, that if countries such as his were to reach the "take-off" stage, not only should aid be maintained but it should not have strings attached. For that reason Ghana viewed with great alarm the measures to deal with balance-of-payments problems, which would mean a considerable reduction in the already inadequate flow of capital from the advanced to the developing countries.

3. While fully appreciating the domestic problems of the developed countries, he wished to suggest that a more responsible use of the world's resources would go a long way towards solving their problems. He referred in particular to the enormous sums of money spent on the armaments race and space exploration. If such funds were diverted to the improvement of domestic conditions in the countries concerned and to assistance to the developing countries, the present unsatisfactory situation would be greatly alleviated. Furthermore, balance-of-payments crises should not be solved by direct or indirect cuts in the flow of capital to developing countries. While the crisis continued, donor countries should be allowed extra drawing rights equivalent to their direct contribution in aid. Such measures, which would primarily benefit the developing countries, would be a proof of the sincerity of the advanced nations.

4. Ghana had great misgivings on the subject of cocoa. After years of patient work the negotiations for a commodity agreement on cocoa had come to nothing. The price of cocoa, on which 60 per cent of Ghana's export earnings depended, remained at the mercy of the vagaries of an economic system which could never benefit the producer. He felt that his country had a right to demand a cocoa agreement and therefore invited the major consumers to commit themselves to a time-table for continued negotiation leading to an agreement in 1968. If the alacrity with which the wheat Trade Convention had been signed was considered, it could only be concluded that the interests of the Third World were of secondary interest to the industrialized world.

5. An increase in world liquidity was of vital interest to the developing countries. Ghana therefore welcomed the efforts made at Rio de Janeiro to increase international liquidity.²⁸ In his view the gradual abandonment of the fetish of gold would have a liberalizing influence.

6. The population explosion also deserved examination, although it was not a major problem in all developing areas. Most parts of Africa were under-populated and the developing countries which had recorded the highest rates of economic growth had not been the least densely populated.

7. The role of private enterprise in developing countries also demanded serious consideration. Where profits were high and assured, as in the case of oil, private capital flowed in without much other incentive. But, at the present time, private capital was on the whole more profitable in Europe and America than in the developing world. Ghana had taken great pains to attract such capital, but the results had been disappointing. Experience showed that private capital, unless encouraged by the Government of the entrepreneur, seldom moved into a developing country.

8. While he agreed with other speakers that UNCTAD should not be a forum for politics, he believed that politics in the broad sense were inseparable from international affairs and, in particular, trade. The politics of

²⁸ See resolution No. 22-28 adopted on 29 September 1967 by the Board of Governors of the International Monetary Fund, in joint session with the Boards of Governors of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association (see IMF, *Summary Proceedings, Annual Report, 1967*, pp. 271-279).

each country governed its trade policy, and if declarations of the will to assist others were to be translated into action, it had to be against the background of the political principles of the country concerned. For that reason Ghana believed that countries whose policies were based on racial discrimination should not participate in UNCTAD.

9. The developing countries realized the need to nurture their human resources, to change some of their social habits and systems of organization, to increase trade among themselves, to co-operate in regional development and to use the available resources in the most efficient way. They also needed the active support of the industrialized world. It was easy for the developed countries

to grant preferences, since most of the developing nations had few manufactured goods to sell. It was also easy to give over 1 per cent of the national product as aid in such a way that a substantial proportion was used to buy goods from the donor country at inflated prices and to pay for the services of its technicians. What the developing countries needed from the advanced nations was a sense of involvement and honesty of purpose. He therefore wished to invite the industrialized countries, whatever their economic and social systems, to help the developing nations to help themselves. The developing countries welcomed aid in the form of capital, technical skill, advice and technicians, but above all they wanted a fair share of world trade and economic development.

**Summary of statement made at the 57th plenary meeting, 13 February 1968,
by Mr. Georges Papadimitracopoulos, Minister of Commerce of Greece**

1. Mr. Papadimitracopoulos (Greece) said that the second session of the Conference was of historic significance because it showed the pressing need for international economic co-operation and for expansion of trade between the developing and the developed countries. There were no economic frontiers today, and if a primary product was threatened in a given country it would sooner or later be endangered at the world level. The development problem was all the harder to solve because of the considerable difference between those developing countries where the annual *per capita* income was somewhere between \$10 and \$100 and those in which it was between \$600 and \$700. Any measure or decision taken by the Conference might contribute effectively to the development of the first of the above categories but prove futile or impossible to apply in countries belonging to the second category. UNCTAD should either reach conclusions valid for both categories or else make separate provision for each.

2. Greece felt that any attempt to solve the development problem through tariff or preference measures alone would be of dubious efficacy. The preferential system could not give satisfactory results without parallel measures in respect of market organization and price stabilization. Preferential tariffs, like those granted to Greece for instance as an associate member of EEC, could not offer any lasting solution to development problems. Indeed, since Greece had been associated with EEC there had been a slight increase in agricultural production, but it was not possible to say how far that was due to association and how much to the Greek Government's efforts to organize trade. There had been no beneficial effect on industry, where everything depended on output and consequently on investment. Greece was somewhat sceptical, too, about investment possibilities. Experience showed that investors distinctly preferred countries which already possessed poles of economic activity in the form of transport facilities, telecommunications, vocational training schools, banking establishments and the like. Obviously the countries possessing such poles of attraction were, *par excellence*, the developed countries and it was they that attracted investments in the first instance.

3. The gap between the developing and the developed countries would therefore continue to widen. If a developing country's national income did not exceed a certain level, that country had little chance of attracting private capital. But when investments were not forthcoming for a poor country its development was seriously jeopardized. The result was a vicious circle, and it was UNCTAD's responsibility to break through it.

4. As to the objective set by the first session of the Conference, the question was not whether the developed countries would grant the developing countries 0.5 per cent, 1 per cent, or 2 per cent of their national income, but what machinery would be used to make the transfer. If the percentage agreed upon were allocated to a low-income country by way of investment, no appreciable results would be obtained, since the local economy would be unable to absorb such investment. In his delegation's view, the transfer should be made in two phases. In the first phase, 20 per cent of the amount transferred should be paid immediately to the developing country for infrastructure or basic investments in the form of a gift, or a loan refundable in kind. In the second phase, the remaining 80 per cent should be transferred in three stages. During the first stage, starting immediately following the basic investments, the national income of the developing country would be braced by stabilization of the prices of its agricultural produce. To that end, a fund would be created for each commodity, to ensure an outlet on a given market, as well as to provide the necessary stability. During the second stage, when the national income had shown some increase, the essential conditions would be created to attract private investment. The third stage would see the introduction of tariff preferences, which only then could have the effect of promoting an increase in the national income.

5. Greece considered that tariff preferences as such could do very little toward solving the development problem, and that the intention to provide capital was inadequate unless at the same time its transfer and the possibility of absorbing it could be ensured. He hoped that other countries would likewise propose practical solutions to cope with the problem.

**Summary of statement made at the 60th plenary meeting, 15 February 1968, by Mr. Ousmane Baldet,
Secretary of State at the Ministry of State for the Control of Finances of Guinea**

1. Mr. Baldet (Guinea) observed that four years had elapsed since the historic first session of the Conference and three since the entry into operation of UNCTAD's executive machinery but that the world economic situation had undergone no change for the better during that period. On the contrary, the gap between the poor and the rich had widened even further. Price stabilization and improvement, removal of the obstacles to international trade expansion, establishment of a general, non-discriminatory and non-reciprocal preferential system, industrialization, establishment of a transport index, reform of the international monetary system, establishment of a multilateral payment system, and effective forms of aid were still the greatest concerns of the peripheral countries. Despite the technical studies undertaken on the means of achieving those aims and the industrialized countries' verbal assurances concerning the extension of preferences to all the developing countries without exception, no positive action had yet been taken by the former group of countries.

2. An under-developed economy could not develop by being integrated with a developed one; on the contrary, integration of that type was in fact a cause of under-development. His delegation fully shared the view expressed in the Charter of Algiers (TD/38, p. 5) that traditional approaches, isolated measures and limited concessions were not enough to enable all nations to enjoy economic and social well-being and all peoples to lead a life free from want and fear. The adoption of a global strategy for development, to which both the developed and the developing countries were committed, was an urgent necessity.

3. Of the items on the Conference agenda (TD/61), he attached particular importance to those concerning the implementation of the recommendations and measures set forth in the Final Act of the first session of the Conference, which was a synthesis of the will and desires of the participating delegations. It was regrettable that certain of those very delegations were now advocating a re-examination of some of the 1964 recommendations and principles which they had opposed.

4. It was essential that the second session should see a concerted effort on the part of both the industrialized and the developing nations. The Charter of Algiers constituted a valid basis for discussion and negotiations, since it defined the priorities and most urgent requirements of the developing countries. The representatives of those countries had stated in the Charter that their economic development depended essentially on their own efforts. It was therefore regrettable to note how few of the developing countries had taken steps to transcend the limits of a micro-economy still based on colonialist principles and not on the interests of the population. The aim of economic development should surely be the well-being of

the masses rather than the safeguarding of the interests of small groups.

5. A radical transformation of the social and economic structures inherited from the colonial system had been effected in Guinea, whose economic development was based on national reality in the context of the country's geographical situation. The country had its own currency circulating in an independent monetary zone. Since independence all sectors of the national economy had been placed under State control. Experience had shown that inter-African co-operation and the re-organization of African economic exchanges were an essential prerequisite to accelerating the economic independence of Africa as a whole.

6. His country had concluded trade and payment agreements with ten African States; it was party to an inter-State agreement on the development and exploitation of the River Senegal and it was ready to participate in a number of regional integration and co-operation projects.

7. As had been pointed out by the President of Guinea, peace among nations depended essentially on the possibilities offered to each nation to satisfy its material and spiritual needs. That should be the inspiration for all efforts made at the present Conference to draw closer to the objectives which had been fixed.

8. It was undeniable that the foreign domination to which certain countries had been subjected for long periods in their history had seriously compromised their economic development. The rich countries were thus growing richer to the detriment of the poor countries which were growing poorer in spite of their steadily increasing production. Transfer of resources was taking place from the peripheral countries to the rich countries, and world trade terms were not based on equitable international economic exchange. UNCTAD's greatest achievement consisted in having demonstrated that in the economic field identical interests resulted in a grouping together of the industrialized countries on the one hand and the developing countries on the other.

9. The time for mere recommendations had now passed. His Government proposed that the Conference should indicate the specific points on which agreement could rapidly be reached between the participating delegations. All assistance granted must be of such a type as to help the developing countries to dispense with aid by harnessing their own forces, without undermining their will for development. Direct foreign investment, so often advocated by the industrialized countries, did not in fact achieve that end; for example, Europe recovered annually from Africa a fifth of its investments. Any type of tied aid should be rejected, as economic development should be based on the principle of sovereignty without which political independence was but an illusion.

**Summary of statement made at the 52nd plenary meeting, 9 February 1968,
by Mr. Hilbert Spence, Minister of Trade of Guyana**

1. Mr. Spence (Guyana) said that his country had closely followed the work of the Committee on Invisibles and Financing Related to Trade. It supported the proposal for setting up an international institute to evaluate national plans and advise aid donors and recipients on planning policies and financial aid for planning. The establishment of such an institute would strengthen international co-operation and understanding in the field of foreign aid, not only between donors and recipients but also among the recipients themselves, most of whom belonged to the developing countries and were competing among themselves for scarce foreign capital.

2. Although Guyana had a *per capita* income somewhat higher than many developing countries, it was encountering the same trade and development problems. It particularly needed long-term funds to develop the interior of the country, which was rich in untapped mineral resources. Like most developing countries, Guyana could not accelerate its development unless it obtained long-term funds on more favourable terms. The donor countries should adopt a more flexible aid policy by granting assistance on a programme basis rather than on a project basis, as at present. The repayment periods should also be extended in order to lighten the burden of debt servicing on countries' economies.

3. Guyana was trying to develop its economy with the domestic and foreign funds at present available. However, it was difficult for a developing country to overcome its poverty without arrangements to guarantee it markets for its primary commodities. In a world threatened by the inadequacy of present and future basic food production, it was absurd that owing to the artificial structure of the developed countries' markets, many developing countries should experience difficulty in marketing all their present production at remunerative prices. All members of UNCTAD, and in particular the developed countries, should therefore endeavour to remedy that situation by restructuring domestic and international marketing arrangements.

4. As far as the world food problem was concerned, food aid programmes should be revised so as to benefit both the less developed countries which needed food and the countries which exported food. It should be borne in mind that it was virtually impossible to design programmes without the risk of disrupting world markets. In order to ensure that food aid was not provided to some developing countries at the expense of others, food aid programmes must guarantee the developing countries which exported

food adequate compensation for the losses which those programmes would necessarily cause them.

5. With regard to sugar, Guyana welcomed the decision to convene a conference in April 1968, to negotiate an international sugar agreement. The sugar industry was one in which the tropical countries had a relatively large comparative advantage. However, the protectionist policies of both the market-economy and planned-economy developed countries deprived the developing countries of income and employment which under an equitable system of trade should rightfully be theirs. It was therefore urgently necessary that the developed countries should begin to apply more rational commodity policies based on comparative costs and advantages.

6. With respect to manufactures and semi-manufactures, the Conference should consider establishing an international arrangement whereby plans to set up new processing plants in the developed countries would be brought to the attention of the developing countries affected by those plans; the arrangement should also encourage the location of processing plants in the developing countries.

7. His delegation urged that the Conference should give a place of prominence to the question of the transfer of technology, if for no other reason than that it was one of the few issues on which there appeared to have been agreement at the first session of the Conference. One means of reducing the enormous waste in current technical assistance programmes would be the creation of more efficient institutional arrangements for channelling technology from the developed countries to the developing countries. In that connexion, Guyana had proposed the creation of a Regional Institute of Applied Development Technology to play such a role in the Caribbean area.

8. He described the movement towards economic integration which Guyana and the other Commonwealth countries in the region had initiated. The Governments of those countries had already agreed in principle on the creation of a free-trade area by 1 May 1968. Furthermore, in collaboration with the Governments of the United Kingdom of Great Britain and Northern Ireland, the United States of America and Canada and with UNDP and ECLA, they were currently drafting the charter for a proposed regional development bank which would be closely associated with the free-trade area.

9. In conclusion, he said that his delegation would not fail to co-operate towards the final success of the historic second session of the Conference.

**Summary of statement made at the 49th plenary meeting, 8 February 1968,
by Monsignor Joseph Caprio, Apostolic Pro-Nuncio in India**

1. Monsignor Caprio (Holy See) said that since the first session of the United Nations Conference on Trade and Development, the doctrine and views of the Roman Catholic Church on most of the items on the agenda had

continued to be expressed vigorously and consistently. The church had also been very active in increasing contributions in cash, kind, and human resources, to promote a cause affecting the whole of mankind.

2. In the words of His Holiness Pope Paul VI, development was the new name for peace. Indeed, peace must be achieved through development. That fact was demonstrated by the outbreaks of violence which occurred sporadically, but with ever-increasing frequency, in the developing countries, and which reflected a genuine despair at the slowness, not to say total absence, of any real improvement in the lot of the poor and the weak. Recent difficulties were compelling the rich economies to undertake certain basic revisions and that state of affairs had been regarded as a factor militating against the success of the Conference. But if the economies of the most highly developed countries were being strained, was that not due, in part at least, to the fact that those countries had embarked on a headlong race in which the leaders of the field had lost contact with the main body of competitors, whose destiny they must share, whether they liked it or not.

3. Whatever the share of the developed countries in building peace through development, development remained the responsibility of the developing countries themselves, as was confirmed in the Charter of Algiers (TD/38). That had been fully understood by the organizations for assistance and co-operation, which were attaching ever greater importance to education at all levels, to vocational training and, in short, to the development of human resources. That would enable the developing countries to work out new policies best adapted to the particular requirements of each one of them.

4. The fact that certain points of crystallization had emerged proved that an effort at conciliation was being made, which should lead to immediate, even though partial resolutions. However, it was necessary to look beyond short-term perspectives. In the immediate future, the major problem was to reorganize trade in primary commodities and, more particularly, agricultural commodities. Certain organizations were responsible for combating famine and malnutrition, but their action depended to a large extent on a reform of commodity trade. Petroleum products held a predominant position in international trade and could hardly be excluded from a global development strategy, particularly with regard to transport and invisibles. For all other primary commodities, international agreements must be concluded and renewed without delay. Indeed, the physical survival of certain countries depended on their export earnings from one or two commodities. Negotiation on a commodity-by-commodity basis, however necessary, had its drawbacks and limitations. Such a narrow field of negotiation made it impossible to see what compensation might be gained from other commodities or to take account of the global development of the countries concerned. Lastly, such negotiations were still too often exposed to the action of pressure groups. Commodity-by-commodity negotiations should therefore form part of a wider sector of activities relating to global development strategy. The *Populorum Progressio* Encyclical pressed for real equality in the negotiations. Consequently, a radical reform of trade procedures was necessary and all the countries concerned should be able to participate in the negotiations.

5. His delegation welcomed the progress made since 1964 on the question of the preferences to be granted to manufactures and semi-manufactures of the developing countries. Technical difficulties should not serve as a pretext to rob such concessions of their substance or to defer them indefinitely. However, it would be illusory to attach undue importance to that point since in many developing countries industrialization was still in the embryonic stage.

6. Whether preferences were regionalized or generalized, the need for the diversification and expansion of trade between the developing countries would apply with equal force. At Algiers, the developing countries of the Group of 77 had affirmed their intention of establishing regional integration zones (see TD/38, section F). It should be noted that the developing countries did not form one homogeneous bloc, and the differences between them were much more difficult to overcome than those between industrialized countries. Consequently, it was essential to take into consideration the situation of the least favoured of the developing countries and to find entirely new solutions which would lessen instead of aggravate their difficulties.

7. The various measures for immediate implementation could not lead to an improvement in the condition of all mankind unless they were set against a wider and longer-term reform of policies and outlooks and unless Governments attached as much importance to the imperatives of international development as they did to those of national development. When economic difficulties compelled certain rich countries to cut down their expenditure, development aid was often the first to be affected, while those countries that were spared such difficulties failed to step into the breach. The return to a sounder financial situation rarely led to an increase in aid. Genuine international disarmament would perhaps help to restore a fairer order of national priorities.

8. The reform of the international monetary system should also be undertaken in the light of long-term perspectives. The policy of full employment pursued in the developed countries was conceived within a strictly national context; many measures taken by certain countries meant that they exported their own employment difficulties to their neighbours. That gave rise to serious imbalances among the industrialized countries and undoubtedly that system was certainly partly responsible for chronic unemployment and under-employment in the developing countries. The target must be not only the development of trade and aid, but the full utilization of all the world's resources. Accordingly, the policies that had succeeded at the national level should be carefully examined, to see why they were not equally successful at the international level.

9. The Conference would definitely not be able to accomplish, within the space of a few weeks, its work on global development. But with goodwill, it would be able to place that task in its proper context and improve appreciably the instruments for its realization. Its debates should be held in a spirit of solidarity so that decisions could be taken with the firm determination to translate them into deeds.

Summary of statement made at the 67th plenary meeting, 18 March 1968, by the Rev. Father Henri de Riedmatten, Permanent Observer for the Holy See at the United Nations Office at Geneva

1. The Rev. Father de Riedmatten (Holy See) said that his delegation felt in duty bound to echo the appeal made by the Secretary-General of UNCTAD at the 66th meeting (TD/79). The failure of the Conference would be a telling argument for those who were not concerned about international aid or were dismayed by its implications. For the sake of development, therefore, even a relative failure must be prevented at all costs.

2. His delegation, without having a political solution to offer, felt obliged to draw attention to three dangers which threatened the Conference, so that all participants could try to take steps to deal with them during the short time remaining.

3. The first danger related to procedure. There must be an end to the prolonged general debates during which the attitudes of the groups had merely stiffened, making confrontation even more difficult. Whatever position each group might have been instructed to adopt, there was no justification for the atmosphere of tension and dissatisfaction which pervaded the work of the Conference. An effort of the imagination must be made to escape from that atmosphere, and it was the responsibility of Group B, in view of its experience and its position of strength, to work out the formulas on which agreement could be reached. The developed countries were all moved by goodwill, even if they did not know how to express it. The Group of 77, for their part, had perhaps underestimated the difficulties being encountered by the developed countries. The latter, however, while they might have understood the spirit in which the developing countries' demand were put to them, had not always realized that they were best fitted to find the meaningful words which would give satisfaction or at least provide a sound basis for discussion.

4. The second danger was that UNCTAD, as an institution, would emerge from the second session of the Con-

ference very much weakened—an outcome which was quite intolerable. The problems being considered were vital and complex, and UNCTAD could not achieve its objective in a single conference, however well prepared. Only a permanent agency acting on the basis of the Conference's guidelines could find durable solutions and, in collaboration with other agencies, carry decisions into effect.

5. The third danger lay deeper, for it affected the future of all mankind. There could be no denying the fact that the second session of the Conference had opened in an atmosphere of hope and that the same had been true of the different preparatory meetings, including the Ministerial Meeting of the Group of 77 at Algiers. In view of the turn the second session of the Conference was taking, those hopes might change to cynicism with some and fatalism with others. But on the whole it was the general resolve not to belie that hope. There was no need to look for spectacular results, but the Conference should at least complete its work effectively, with a frank acknowledgement that development was not merely the sum of the wills of the developing countries, supported by the developed countries. It also involved a commitment by both the developed and the developing countries to seek a formula—the complete and radical renewal of economies indissolubly linked to each other. As the Secretary-General of the United Nations had recently said, addressing the permanent representatives in New York, it had to be recognized when framing a global development strategy, that the world and its people were one entity, despite the differences separating rich and poor and despite differences of race, creed and religion. The developed and the developing countries must choose whether they wished to move forward towards a co-ordinated international community or to go their separate ways towards a chaotic future.

Summary of statement made at the 47th plenary meeting, 7 February 1968, by Mr. József Biró, Minister for Foreign Trade of Hungary

1. Mr. Biró (Hungary) expressed his delegation's complete agreement with the views put forward by the socialist countries concerning the war in Viet-Nam and the Middle East crisis which were obstacles to peaceful economic relations and damaging to the poorer countries. His delegation also condemned the inhuman racial discrimination practised by South Africa.

2. UNCTAD's work would never be wholly effective until the principle of universality prevailed. The Hungarian Government considered it necessary that the German Democratic Republic and other countries playing an important part in world trade should take their rightful place in the organization.

3. His delegation believed that there could be no final solution of the economic problems of the developing

countries unless the principles adopted at the first session of the Conference were scrupulously adhered to. It therefore welcomed the unanimous decision of the Ministerial Meeting of the Group of 77 in Algiers to defend those principles. It was essential also to abolish all forms of political discrimination which hampered the normal development of world trade. One could not speak of normalization of world trade if the backwardness of the developing countries and their virtually defenceless position vis-à-vis neo-colonialism were maintained. The problem was not one of North versus South, for the point of the struggle was political, not geographical. The Hungarian delegation supported all efforts to remedy the situation and welcomed the statement in the Charter of Algiers concerning the responsibility of the developing countries for their

economic development and the need for far-reaching changes in their social structure.

4. His delegation attached great importance to the stabilization of commodity markets. Hungary supported efforts to elaborate general rules for international commodity agreements and intended to participate in some of the latter. Experience had shown that bilateral agreements were a very effective method of stabilizing markets. The imports of Hungary from the developing countries had increased more rapidly than its exports to those countries. His delegation considered that financial aid alone was not enough. Efforts should also be concentrated on measures with a lasting effect such as those aiming at improvement of the terms of trade in favour of the developing countries. Hungary would do everything within its power to realize that aim.

5. Hungary welcomed the inclusion in the Conference agenda of the subject of trade between countries with different economic and social systems (see TD/61, agenda item 9 (c)), because it was seriously concerned at the increasingly protectionist policies pursued by EEC. Those policies were depriving Hungary of an income of some \$18 to \$20 million annually.

6. On 1 January 1968 a new system of economic management had been introduced in Hungary. It was

designed to ensure a reasonable degree of decentralization of economic decisions. In the future, profitability criteria would more directly influence such decisions and that was sure to result in a strengthening of economic links between Hungary and its trading partners.

7. With regard to import policy, Hungary intended gradually to open up its markets, provided that Hungarian exports were afforded access to the markets of its trading partners without any discrimination and that its trade and payments situation were balanced. The new custom tariff introduced on 1 January 1968 would provide for granting preferences to developing countries under international agreements.

8. The Hungarian delegation had noted with interest the ideas put forward by the representative of France at the 40th meeting in favour of technical co-operation, and Hungary was prepared within the limits of its possibilities to seek jointly with other interested countries, ways and means of implementing such co-operation.

9. The over-all aim to be borne in mind was that of achieving a basic change in the international division of labour. The Hungarian delegation would spare no effort in co-operating with all countries concerned in order to attain that objective.

**Summary of statement made at the 48th plenary meeting, 8 February 1968,
by Mr. B. R. Bhagat, Minister of State in the Ministry of External Affairs of India**

1. Mr. Bhagat (India) said that the second session of the Conference was meeting in a land where the developmental process faced many trials and tribulations. Some progress had been made, but that very success in solving old problems had created new ones. The education with which India had been able to provide the growing generation had given rise to new aspirations. The youth of today were restive and impatient; his Government regarded their discontent as a dynamic factor for growth, which would force it to move faster and transform the country's social and economic structure.

2. The task before the Conference was to evolve a development policy which would be responsive to the aspirations of youth throughout the world and which would revive and strengthen their confidence in the efficacy of international co-operation. The basic elements of such a policy had been carefully delineated by the developing countries in the Charter of Algiers; his delegation considered the proposals embodied in that Charter modest and realistic and commended them for the consideration of the Conference.

3. One of the more important components of the development policy which he had in view would be primary commodities. The greater part of the external resources available to the developing countries was still derived from the export of primary commodities, although market forces were causing wide fluctuations in prices and tending to reduce export returns. His delegation looked to the Conference to provide the necessary impetus for the conclusion of an international agreement on cocoa and to

initiate consultations for moving towards stabilization arrangements in respect of other commodities which deserved special attention. In that connexion, it attached great importance to consultations and co-operation among the producing countries themselves, with a view to improving their terms of trade by the effective co-ordination of their production, sales and pricing policies. India's experience in recent consultations with Ceylon concerning tea, and with Indonesia concerning pepper had convinced it of the value of that approach; his delegation, therefore, suggested that provision be made for the organization of such consultations as a part of UNCTAD's regular programme.

4. The development of synthetics had created new threats to the future of a number of natural products, such as rubber; while not opposed to technological progress in that field, his Government felt that the interests of the producers should be protected and even advanced. That could be done by raising the technical efficiency of production, improving quality and grading practices, and conducting intensive technical and market research for diversification of end uses. His delegation urged the Conference to muster international support for placing the future of natural products on a sound basis and suggested that arrangements be made for establishing a fund for that purpose under the auspices of UNCTAD. The size of that fund should, of course, bear a proper relation to the expenditure which was currently being incurred by advanced countries in the development of synthetics.

5. His delegation hoped that the Conference would initiate negotiations for the removal of tariff and non-tariff barriers and for the adoption of practical proposals to stimulate consumption. It realized, of course, that it would take some time to achieve a balance between supply and demand at a higher level. While seeking such a balance by appropriate means, the Conference should take the long-awaited decision concerning the arrangements for buffer-stock financing and for the diversification of monoculture economies.

6. There were many primary commodities in which there was competition between the developing and developed countries. His delegation appealed to the Conference to apply the principles of the international division of labour when dealing with that sector. Agreement should first be reached in respect of such products on a country-by-country and commodity-by-commodity basis, with a view to securing for developing countries an assured share in current consumption and in its prospective growth. His delegation would endeavour to persuade the Conference to adopt a purposive programme of action in the field of commodity policy and to provide for any adaptation in the administrative arrangements for international action that were needed for its successful implementation.

7. In the field of manufactures and semi-manufactures, recent developments have given rise to hopes that the Conference would agree to take two important decisions: first, to implement a scheme of general, non-discriminatory and non-reciprocal preferences in favour of the developing countries for their manufactures and semi-manufactures, and secondly to undertake negotiations for the elimination of barriers to the importation of such products from developing countries into developed countries. His delegation suggested, therefore, that the Conference should set up a negotiating group or working party under the auspices of the Second Committee which would work out the essential elements of a generalized scheme of preferences by resolving outstanding differences through consultations. It hoped that that group would draw up a time-table for the implementation of such a scheme, so that it could be put into effect by the end of 1968.

8. Thanks to the partial application of the rule of non-reciprocity, the Kennedy Round negotiations, unlike the earlier tariff negotiations under GATT, had resulted in the extension of some tariff concessions on certain products exported by developing countries. His Government's discussions with developed countries, both bilaterally and in multilateral forums, had led it to believe that they also realized that the Kennedy Round negotiations had so far touched only on the fringe of India's trading problems. Fresh efforts were therefore needed if tariff and non-tariff barriers to imports of manufactures and semi-manufactures from developing countries were to be lowered to any appreciable extent. His delegation hoped that agreement could be reached in the Conference on the ground-rules, machinery and time-table for international negotiations aimed at providing easier access to the markets of the developed countries for the industrial products of developing countries. In that connexion, his delegation commended the initiative of the Secretary-General of UNCTAD and the Director-General of GATT in decid-

ing to operate a joint UNCTAD/GATT International Trade Centre and hoped that that example of co-operation between different United Nations bodies would be a prelude to similar moves in other fields.

9. His delegation also appreciated the initiative taken by some developed countries for the promotion in their markets of exports from developing countries. It suggested that the Conference should make an objective assessment of the measures taken so far, devise ways and means for generalizing the measures taken by individual developed countries and make recommendations for the consolidation and further improvement of those measures. Although industrial products were the most dynamic sector of international trade, the share of developing countries in that trade was exceedingly small. The income derived by them from the export of industrial products was barely \$3,600 million. The Conference should try to reach agreement on ways and means by which the developing countries could increase their contribution to the rapidly expanding trade in industrial products and double their export income during the remaining period of the United Nations Development Decade.

10. Concerning development finance, his delegation wished to commend IBRD on the role which it had played in influencing and guiding International action. The importance of external resources for the economic growth of developing countries had been convincingly brought out in the documentation prepared by the UNCTAD secretariat. The Secretary-General of UNCTAD had stated that international finance had not been forthcoming on a scale large enough to generate the many times larger amounts of domestic savings that were needed and the corresponding acceleration of growth. He had described that situation as the most serious defect in international co-operation in the Development Decade.

11. In considering the question of development finance, it was necessary to take into account the losses which developing nations suffered as a consequence of the persisting imbalance in the structure of international trade. The primary products exported by the developing countries showed an annual loss of purchasing power of approximately \$2,500 million; agricultural protectionism in developed countries was causing the loss of another \$2,000 million every year, and the tying of aid to purchases from donor countries was estimated to cost the developing countries an additional \$1,000 million annually. Those figures would help all delegations to view the proposal for an increase in the volume of net capital transfers to developing countries against the background of the overall pattern of financial flows and in the context of the world economic situation.

12. The first session of the Conference had unanimously set a target for development financing in its Final Act,²⁹ but subsequent movements had been away from that target rather than towards it. It was of course, necessary to bear in mind the difficulties confronting some indus-

²⁹ *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations Publication, Sales No.: 64.II.B.11).

trial nations. It was also necessary, however, to draw a comparison between the difficulties of the rich and the privations of the poor and to determine priorities accordingly. Should not the target at least be more clearly defined? Perhaps private capital invested in profitable ventures should be excluded. Complaints have been made that multilateral agencies engaged in developmental endeavours were not being adequately financed. Perhaps the Conference should recommend that a minimum percentage of capital flows be channelled through those agencies.

13. Some time previously the President of IBRD had made a request for the replenishment of the resources of IDA. In the opinion of his delegation, the response to that request had been inadequate. It had been widely recognized that the terms and conditions on which the greater part of finance was currently provided to developing countries were unduly onerous. Perhaps the solution of the problem would be to make a substantial increase in the proportion of non-repayable transfers. Perhaps, too, a larger proportion of aid could be made available against repayment in local currencies.

14. The reasons which induced industrial nations to tie aid to supplies from their respective countries were well known. It was also well known that that practice had proved costly to the developing countries because it led to inflated prices for the imports which they needed for their development. Surely there was no justification for the continuance of that practice by countries which did not face balance-of-payments difficulties. The problems which temporarily confronted the rich nations with respect to their balance-of-payments should be compared with the difficulties of those nations which chronically suffered from deficiencies in their external resources. Solutions should be found which would be helpful to both.

15. The problems of development finance were of recent origin. It could not, therefore, have been anticipated that short-term loans and high rates of interest would prove to be self-defeating. The mounting repayment obligations had had the effect of severely curtailing the net amount available to the developing countries for sustaining their development process. For that reason, it had been proposed that the agreed target for transfers to developing countries should be free and clear of both amortization and interest charges.

16. His delegation was aware of the efforts which were being made in various ways to find an appropriate solution for the problem of the excessive debt burdens borne by the developing countries. It hoped that the Conference would deal with that problem systematically and succeed in working out a solution which would help to ensure their accelerated economic growth.

17. The stringency in international liquidity, accentuated by the difficulties currently experienced by reserve currencies, had not been helpful to the cause of the developing countries. His delegation welcomed the outline of the facilities for Special Drawing Rights approved at the 1967 meeting of IMF in Rio de Janeiro and hoped that an early implementation of that scheme would alleviate some of India's difficulties also. There were indeed many sectors in which financial techniques, including the IBRD

scheme for supplementary financing,⁸⁰ could help to stimulate development activities. His delegation proposed that the Conference should seek a solution for the outstanding problems in that field, since the matter was too important to be postponed to a later date.

18. Another suggestion which could perhaps help to impart a fresh momentum to trade development and assure partial repayment of outstanding debts, was to relate the repayment of tied loans to the increment in the exports of the debtor country to the creditor country.

19. India considered it a matter of first priority that the grave deficiency in the development of shipping services between developing countries should be made good. For that purpose, a study might be made under UNCTAD auspices to identify the sea lanes between developing countries where the trade expansion potential was not being realized because of the absence or inadequacy of direct shipping services. Since most such services were likely to run at financial loss, a scheme might be evolved for underwriting, at least in the initial years, the operational losses on those services.

20. India also suggested that purchase of ships by developing countries be financed out of normal developmental credits like any other equipment. Since shipping was an important earner of foreign exchange, it should receive priority treatment in the allocation of normal aid funds. Shipping organizations in developing countries should be enabled to acquire ships from the shipyards of developed countries on commercial deferred payment terms spread over a period of at least ten years.

21. The Conference should agree on the principle that exporting developing countries should be entitled to a legitimate share of shipping in their export trade as long as they could provide suitable shipping services, and on the creation of a special fund for port development.

22. India attached particular importance to promotional freight rates for the exports of the developing countries; the first steps for a select list of products should be taken as a matter of urgency while the proposed studies by UNCTAD were still in progress.

23. Trade between the socialist countries and developing nations continued to be the most dynamic sector of world trade. That had been made possible because the socialist countries had, by and large, implemented the recommendations contained in the Final Act of the first session of the Conference. The statement by the leader of the USSR delegation that the possibilities of strengthening co-operation between the USSR and developing countries were far from being exhausted would be widely welcomed. India had particular reason to feel gratified with recent trends in the development of economic co-operation with socialist countries.

24. There was general recognition of the urgent need for a change in the composition of commodity lists, on the export side as well as on the import side, and for

⁸⁰ *Supplementary Financial Measures — a Study requested by the United Nations Conference on Trade and Development, 1964* (International Bank for Reconstruction and Development, December 1965).

abolishing such import duties and taxes as continued to be levied on imports originating in developing countries. More active steps must be taken to stimulate consumption of the products traded by developing countries. Further efforts should also be made to redress the continuing asymmetry in the rates of growth in the export of primary commodities and that of manufactures and semi-manufactures. A more active implementation of the recommendations made by the first session of the Conference in that regard could go a long way towards the development of complementary production structures, which, in turn, would provide a more stable basis for economic relationship between the two sets of countries.

25. In the emerging programmes of international co-operation, developing countries owed a special duty to one another. The Indian delegation was ready to explore with other fraternal delegations what more it could do in that direction. While there must be diversity in the forms of economic co-operation, it was important to ensure that schemes of economic co-operation and trade expansion were sound, mutually compatible and contributed to the evolution of a global trade and development policy.

26. India had the privilege of being a partner in ECAFE and had made considerable headway in tripartite co-operation with Yugoslavia and the United Arab Republic, including an agreement on the exchange of preferences between the three countries. The techniques and solutions found would doubtless be of considerable interest to other developing countries in working out schemes for the expansion of trade among them. One of the most important features was article IX, which provided that the agreement would be open for accession by any developing country on a basis of mutual benefit. Under article X, the participating States had expressed their readiness to make such adaptations in the Agreement as might be required in the event of a more general scheme being adopted.

27. The vertical pattern of relationships between developing and developed countries inherited from the past had unfortunately impeded so far the evolution of complementary relationships between developing economies in different parts of the world. His delegation hoped that it would be possible in the Conference to agree on action for the development of the necessary infra-structure of trade among developing countries. In that connexion, a working group might be set up to elaborate a scheme of payments arrangements to provide financial support for the promotion of trade exchanges amongst developing countries as a whole.

28. The Indian delegation considered it its duty to join with other delegations who were in favour of incorporating special measures in international action programmes to enable the least developed among the developing countries to derive equitable benefits from international economic co-operation. Land-locked countries suffered from special disabilities, and he hoped that special means could be found to overcome them.

29. He hoped that working parties might be set up at the Conference to deal with such problems as the imple-

mentation of the various Principles³¹ adopted at the first session of the Conference; international solutions for recurring food crises; and the transfer of technology to speed up economic progress.

30. The people of India had never doubted that the responsibility for India's development rested primarily on themselves. They had set out to build up a viable economy while eschewing means which increased their dependence. They had drawn heavily on international support, but at every stage of the development process, had taken care to increase, and not diminish, their capacity to rely upon themselves. The people had been heavily taxed; the present generation had been persuaded to sacrifice its comforts, and even its basic needs, so that the accruing savings could be invested in future growth. India had refrained from using borrowed resources for financing the import of goods which it could do without or which could be produced in the country.

31. Indians were acutely conscious of their limitations and knew that the rate of economic growth achieved so far fell short of the social imperatives of the economic situation and of the aspirations of the youth. They looked forward eagerly to the possibility of stepping up the rate of economic advance in concert with friendly nations while hoping, at the same time, to augment their contribution to programmes of international co-operation. If, in the coming weeks, it should prove impossible to reconcile the divergent solutions put forward by various national delegations, the Indian delegation hoped that the Conference would provide for sufficient flexibility in the programme of international co-operation it adopted, so that each nation could make the contribution due from it in accordance with the procedures and policies that commended themselves to it. The difficulties encountered in evolving a common approach should not be allowed to thwart the economic progress of the world.

32. The Conference could not afford to fail. The days when national problems could be solved in isolation, to the neglect of the problems of other nations, were past. There was now a universal recognition that no nation, however powerful, could prosper in a situation of frustration and failure in large parts of the world.

33. The problem of development would persist for many years to come. The nations would have to meet again and again before they could claim to have succeeded in mastering it. The least that the second session of the Conference would do was to give the assurance that they would henceforward move according to an agreed action programme, that participating nations would faithfully implement their respective roles in it, and that the continuing machinery would operate to avoid a recurrence of the failures of the past.

34. In conclusion, he cited the words of Jawaharlal Nehru, who, in a broadcast from New Delhi on 18 January 1948, had said: "We talk of freedom, but today political freedom does not take us far unless there is economic freedom. Indeed, there is no such thing as freedom for a man who is starving or for a country which is poor."

³¹ *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

**Summary of statement made at the 47th plenary meeting, 7 February 1968,
by Mr. Mohamed Jusuf, Minister of Trade of Indonesia**

1. Mr. Jusuf (Indonesia) said that the world economy would be in a more vulnerable position in 1968 than in the preceding year owing to the slowing down of the rate of growth in certain developed countries in 1967 and early 1968, and to an unfavourable balance of payments, which had led those countries to adopt deflationary measures and protective policies which slowed down their development and affected international trade. In the developing countries, the situation was one of export stagnation and declining prices, on one hand, and a rise in the prices of imports on the other, which led to a further deterioration in the terms of trade. In the case of rubber, for example, prices had reached their lowest level in nineteen years, which meant a loss of \$4,200 million to the producing countries.

2. The primary cause of the ever-widening gap between the developed and developing countries was the greater concentration of economic forces in some industrialized countries. It was practically impossible for the developing countries to resist the impact of decisions taken by the developed countries, individually or as a whole. Therefore, a more equitable distribution of economic power would be achieved through a new world economic order benefiting all nations.

3. The unity of the developing countries was a new element in the history of international economic relations, and it reflected their will to accelerate their economic and social progress. Only international co-operation could ensure the welfare of the peoples, but it would have to be based on a global development strategy. To that end, the developed and developing countries should undertake common and synchronized actions in different fields and they should define their responsibilities more clearly than in the past. Development was a matter which concerned the great economic Powers and the developing countries alike. Various studies on the problems of development had shown that the aid granted by the developed countries represented only an infinitesimal part of their resources, but that it contributed much to the development of the poor countries. If the share of the latter countries in world exports increased by 1 per cent, their resources would increase by \$1,000 million, problems connected with the servicing of debts would be less acute and the more favourable conditions would attract foreign investment. It was worth considering measures on which a concerted effort could be made.

4. Financial aid was another essential element of the global strategy of development. So far, it represented less than 1 per cent of the gross national product of the industrialized countries. The developing countries had often been discouraged by the lack of political commit-

ment of Governments and peoples to development aid. However, the positive statements of some representatives of the major donor countries since the beginning of the Conference were heartening. Such aid should be granted on a continuing basis over the entire duration of a country's development plan.

5. The developing countries recognized that private investment could play a major role in their economies. Consequently, not only those countries, but also the developed countries and the international organizations should multiply their efforts to ensure greater investment of capital in the developing countries. While a national investment guarantee scheme was desirable, the institutionalization of bilateral and multilateral schemes was also of great importance. A foreign investment law had been enacted in Indonesia with a view to improving co-operation with investors and offering them guarantees.

6. Although Indonesia was not one of the developing countries which had achieved great success in the struggle against under-development, the Government was seeking to stabilize the economy and lay firm foundations for growth within the framework of a new economic plan. He expressed the gratitude of the Government of Indonesia towards all the countries which were assisting the country to overcome the seemingly insurmountable obstacles to its economic recovery. The successes achieved in some parts of the developing world did not mean that the path of economic expansion was without hurdles. However, some progress had certainly been made and that should encourage the world community to persevere and to intensify its efforts.

7. The food problem had a significant bearing on the economic growth of the developing countries and threatened to provoke a serious crisis. The Conference should devote particular attention to it and consider how food production could be increased in the developing countries. First, the financial and technical aid provided by the developing countries should be intensified. Secondly, the food deficient countries themselves should try to develop programmes to increase their food production.

8. Regional co-operation and expansion of trade among the developing countries were a necessity and should be developed along realistic and pragmatic lines. The developing countries of the Group of 77 had stated in the Charter of Algiers their position on various issues included in the agenda of the Conference; the Charter represented a useful starting point for negotiations with a view to developing effective, practical measures. The Conference offered an opportunity for translating ideas into action and working out practical solutions.

**Summary of statement made at the 49th plenary meeting, 8 February 1968,
by Mr. Alinaghi Alikhani, Minister of Economy of Iran**

1. Mr. Alikhani (Iran) said that the signing of the Final Act of the first session of the Conference had not led to concrete action. Only some instances of constructive action by the developed countries to help developing nations could be quoted, such as Australia's introduction of a system of preferences, and the efforts made by some countries to bring their aid to the developing countries up to the target of 1 per cent of their own gross national product. Even the modest growth rate set for the United Nations Development Decade had not been achieved. The average rate from 1960 to 1965 for fifty-four countries, representing 87 per cent of the population of the developing countries as a whole, had been 4.5 per cent. Current political and economic difficulties should not be allowed to curb the action which must be taken if the dangerous gap between the rich and the poor countries was not to grow still wider.

2. The Iranian Government attached great significance to the preferential tariff treatment of exports from developing to developed countries on a non-discriminatory and non-reciprocal basis. If the desired results were to be obtained, such treatment should be supplemented by the removal of non-tariff barriers. His Government supported the Charter of Algiers and considered that its provisions would serve to attenuate to some extent discrimination against the developing countries.

3. The member States of OECD had agreed to grant non-reciprocal preferential treatment to exports of manufactures and semi-manufactures from the developing countries. However, that agreement included so many exceptions, reservations and safeguards that it could not satisfy the needs of the developing countries. Nevertheless, it was a step forward since the first session of the Conference and an encouraging sign. The time seemed ripe to start serious negotiations between developing and developed countries in order to bring the views of the two groups closer together.

4. He endorsed the conclusions reached by the UNCTAD secretariat in its study of the question of tied loans in his country (TD/7/Supp.8/Add.2 and Add.2/Corr.1). That very important problem must be tackled, and measures to solve it might include the repayment of tied loans in the form of goods produced by the recipient countries.

5. Referring to the question of shipping, he said that his Government would give support to the establishment of

an Iranian shipping line, so as to ensure that transport was available for all its sea-borne trade; he hoped that the maritime nations and conference lines would co-operate with the developing countries in implementing the relevant recommendations of UNCTAD and other organizations.

6. Between 1960 and 1966, the average annual growth rate of exports from the developing countries to the socialist countries had been 13 per cent per year, while imports into developing countries from the socialist countries had increased still more rapidly. Iran believed that economic and trade co-operation between those two groups of countries could be mutually beneficial. For such co-operation to increase, however, a multilateral payments mechanism would have to be established.

7. An expansion of trade among the developing countries themselves was also called for. Iran had joined with Pakistan and Turkey in establishing the Regional Co-operation for Development arrangement for co-operation in the following areas: the establishment of industrial joint-purpose enterprises, co-operation in trade, transport, communications, banking, insurance, tourism, technical assistance and social affairs. Iran had also established closer trade relations with other developing countries.

8. His Government appreciated the need for a global strategy for development. The primary burden rested on the shoulders of the developing countries themselves. It served little purpose to seek aid from the developed countries if the necessary reforms had not been carried out in the developing countries so that they could make full use of the resources placed at their disposal.

9. While he considered it essential for the developed countries to grant non-reciprocal tariffs, he felt that that was not enough. The developed countries would have to make up their minds whether to pursue a policy aimed at pulling the developing countries from the abyss in which they now were, or to content themselves with granting marginal assistance. The people of all countries, rich and poor alike, had a vital interest in the eradication of under-development. It was a disappointing fact that despite revolutionary changes in communication techniques and man's conquest of space, the well-to-do had little knowledge of the profound effect of under-development on those who suffered from it. Action on their part entailing scarcely noticeable sacrifices could make all the difference.

**Summary of statement made at the 45th plenary meeting, 6 February 1968,
by Mr. Abdul-Karim Kannuna, Minister of Economy of Iraq**

1. Mr. Kannuna (Iraq) said that the second session of the Conference should try to take concrete measures to encourage co-operation between the developed and the developing countries. The needs of the developing

countries were well known: they had been set forth initially at the first session of the Conference and later at the ministerial meeting of the Group of 77 in Algiers. To meet those needs, the developed countries had

promised their co-operation, which was to be based on the principles laid down at the first session of the Conference. But the developed countries were now making difficulties about keeping their promises and were refusing to apply the recommendations of the first session without proposing alternative solutions. Meanwhile, the problems facing the developing countries were increasing: import restrictions were being maintained, the terms of trade were deteriorating, and interest rates on the international money market were going up, resulting in a chronic disequilibrium of the balance-of-payments situation in the countries concerned.

2. The delegation of Iraq was convinced that given a little good will, the developed countries could find ways and means of rectifying the situation. The longer they waited to

take action, the more complex the problems became, whereas if they gave immediate assistance to the developing countries, the results would be beneficial to both groups.

3. His Government believed that with the exception of countries with systems based on racial discrimination, all the countries of the world, whether States Members of the United Nations or not, should be taking part in the present Conference. His own country, whose natural resources had helped to enrich the industry and trade of the developed countries and to increase their well-being, felt itself justified in calling for help from the industrialized countries for itself and for the other developing countries. It was ready, in its turn to provide all the assistance in its power and to implement at decisions taken by the Conference.

**Summary of statement made at the 44th plenary meeting, 6 February 1968,
by Mr. Patrick J. Hillery, Minister for Labour of the Republic of Ireland**

1. Mr. Hillery (Ireland) said that there were obviously no simple ready-made solutions to the problems before the Conference. In many cases whatever advances were made would just have to be noted, in place of final victory. Yet the problems were urgent, as statistics showed. The growth rate in the developing countries was still below the target set in the context of the United Nations Development Decade; their share in world trade was shrinking; and terms of trade were adverse. Commodity export prices were falling, while those of the manufactured products those countries must buy were rising. At the same time, development aid was still far short of requirements, and debt-servicing charges were becoming an increasingly heavy burden. In short, there was a growing gap in standards of living and welfare between the developing and the more highly industrialized countries.

2. Left to itself, the free interplay of economic forces could not bridge that gap. There was a need for new thinking throughout the world to redirect the trade and development trends which had so far kept such vast areas of the world in their present state of under-development. The Secretary-General of the United Nations had issued an appeal to the world to wake up to its responsibilities. The Conference could so act that representatives of the developing countries at New Delhi were given a first tangible glimpse of the new age. Selfishness alone should bring home to the prosperous countries the fact that their long-term interests would be served by a constantly rising level of world investment, consumption and trade.

3. There was, however, more to it than material self-interest. The principles of social justice upheld in domestic policies had their international application too. The existence of poverty, disease or ignorance anywhere in the world should be a constant reproach to the conscience of mankind. Progress would occur only in so far as the prosperous countries were willing to use a little of their material wealth in discharge of their obligations and to stop feeling guilty towards the developing world. The developing countries themselves had their own vital role to play and were obviously ready to play it.

4. Ireland was a small country whose contribution to cures for the world's ills was bound to be slight. Ireland was nevertheless anxious to contribute annually to the United Nations agencies concerned with development aid programmes. It had pledged cash and commodities to the World Food Programme, both for the current three-year period and for the period 1969-1970. It subscribed to IBRD, IDA and IFC. In addition, it provided technical training in Ireland for many nationals of developing countries and sent qualified Irish specialists and technicians to those countries, either by bilateral agreement or under the auspices of the United Nations and its specialized agencies. The private sector was also playing a significant role in the development aid programme. There were many Irish missionaries working in the developing countries, helping to establish and operate schools, hospitals, and similar institutions.

5. Ireland was unreservedly pledged to help the developing countries to increase their trade. The value of Irish imports from those countries was three times greater than that of Irish exports to them. When Ireland had recently acceded to GATT, its schedule of concessions had included some 500 tariff items covering products classified as of interest to the developing countries. Ireland's Customs and Excise Tariff also included 500 more tariff items covering products of equal interest to developing countries that were being admitted free of duty into Ireland. The items included not only primary products but also a wide range of manufactures and semi-manufactures.

6. Ireland's industrial sector had not yet realized its full production potential, but preparations were under way to meet stiff competition in a free trade area with the United Kingdom, and there was even a move towards membership of an enlarged European Economic Community. The problems of industrial development were accordingly something with which Ireland was fully familiar, and it therefore appreciated those facing the developing countries. While quite aware of the difficulties of nascent Irish industry, the Irish Government unre-

servedly supported a general system of preferences to help the developing countries and hoped that the Conference would make progress on that particular point.

7. Ireland's experience could be of benefit to developing countries in certain specific areas, *inter alia* those of export promotion, small industry building programmes, production grants and industrial incentives.

8. In his delegation's view the problem of international liquidity was at the core of the questions before the Conference. Action was necessary to ensure, for the sake both of the advanced and of the developing countries, that the existing sources of international liquidity could be

supplemented when required by deliberate reserve creation. In Ireland it was hoped that there would be no delay in establishing the new facility for special drawing rights in the IMF.

9. With regard to the international commodity agreements, Ireland considered that they could do much to lessen the risks which excessive market fluctuations involved for agricultural exporting countries, especially those largely dependent on a single commodity. The range of such agreements to date was relatively small and it was to be hoped that the second session of the Conference would provide the stimulus for fresh agreements.

**Summary of statement made at the 47th plenary meeting, 7 February 1968,
by Mr. Zeev Sharef, Minister of Commerce and Industry of Israel**

1. Mr. Sharef (Israel) thought, like the Secretary-General of UNCTAD, that the future of international trade and development depended primarily on action by the developed countries. Only liberal measures aimed at promoting the trade of developing countries and increasing the volume of aid could create an international economic community which was not turned in on itself. The Kennedy Round and the recent decision of the IMF concerning special drawing rights were two important measures to increase the volume of international trade. They showed, however, that existing institutional machinery was not enough to meet the needs of the developing countries: the latter might not gain their proper share in the growth of world trade resulting from those measures. Special agreements must therefore be concluded to ensure the marketing of the products of developing countries and, in particular, of the increasing volume of their manufactured goods for export. It was important that such agreements should be of a general character, without reciprocity, and should apply over a long period. The delegation of Israel hoped that negotiations could soon start on a general system of preferences and that they would be fruitful. The question of tariff and non-tariff barriers was linked with that of marketing. The GATT International Trade Centre had done useful work in that connexion and it was to be hoped that still more would be done under the joint management of the Centre by GATT and UNCTAD.

2. Israel knew by experience that certain primary products were particularly suitable for processing and could be a good starting-point for industrial undertakings.

3. The proposals regarding preferences and the promotion of the trade of developing countries must be understood as relating to a period of some ten years.

4. The regional integration of the developing countries was of crucial importance in reducing the cost of development, and should eventually bring about a certain division of labour between neighbouring countries. That matter was of particular importance in the Middle East; given peace and security and without the heavy burden of armaments, regional integration in the Middle East would open a brighter future for all its peoples.

5. However, in view of the fact that the resources of the developing countries were not sufficient to enable them to secure by themselves even a regional "take-off", it was necessary to think of concessionary arrangements between them on a world-wide rather than on a regional basis. That question was of great importance and could lay the ground-work for more rational international division of labour in the future.

6. The delegation of Israel believed that to reverse the disappointing trend in the flow of aid it was necessary that the developed countries and the developing countries should find a common interest in development investment. The plan put forward by Mr. Horowitz, Governor of the Bank of Israel, at the first session of the Conference,³² envisaged the mobilization of funds on the world capital markets and their distribution on concessionary terms to developing countries. That plan was an instrument which would make it possible considerably to enlarge the flow of funds to developing countries, on terms satisfactory to donors and recipients alike.

7. Investment in development must not necessarily confine itself to the construction of buildings and the acquisition of equipment; it could be used to finance or guarantee the growing volume of trade between developing countries and to promote international scientific research programmes like that relating to the use and production of edible proteins — as recommended by the United Nations Advisory Committee on the Application of Science and Technology to Development³³ — and that concerning family planning.

8. As regards Israel's technical co-operation with developing countries, some 1,700 of its experts had served abroad since 1958 in sixty-two countries of Africa, Asia, Latin America and the Mediterranean region. During the same period more than 9,000 trainees and students from those

³² See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), annex F, paras. 151-161.

³³ *International Action to avert the Impending Protein Crisis* (United Nations publication, Sales No.: E.68.XIII.2).

countries had completed courses in Israel. Within its limited resources, Israel was ready to continue that kind of co-operation and even to enlarge its scope.

9. Without in any way underestimating the value of planning, it was necessary to pay sufficient attention to work in the field. That was particularly true in connexion with the training of personnel. The transfer of technical

knowledge through "on-the-job training" was frequently less complicated than it was made out to be. The good work done by the International Labour Office in that sphere should be encouraged.

10. In conclusion, the delegation of Israel expressed the hope that the Conference would help to evolve a genuine world community of interest.

**Summary statement made at the 44th plenary meeting, 6 February 1968,
by Mr. Mario Zagari, Under-Secretary of State for Foreign Affairs of Italy**

1. Mr. Zagari (Italy) considered that the Conference should seek, at its second session, to translate its philosophy into practical achievements. That would call for an act of political will on the part of the entire international community.

2. Italy had not yet fully solved the economic problem of its southern region and was in the dual position of being both an industrialized country and a developing country. It could therefore serve as a sort of link between the developed and the under-developed world. The highest Italian authorities had consistently affirmed their willingness to co-operate closely with the countries of Africa, Latin America and Asia. Furthermore, Italy was an industrialized country which showed a large commercial deficit with the under-developed countries — \$800 million in 1967. The financial contribution of Italy to the various international organizations had doubled in 1966 (\$92 million as against \$40 million), compared to the preceding year. Italy's five-year development plan made special provision for aid to the developing countries and legislative measures had been adopted which allowed young volunteers to serve in co-operation projects in developing countries or regions in lieu of military service.

3. The problem of development should be tackled globally, and a global strategy and not sectorial measures should be envisaged. That global strategy needed new principles, new instruments and new measures.

4. By new principles he meant that it was necessary to abandon the notion that development meant only aid. Instead, the principle of transfer should be adopted; in other words, each country should assume its own responsibilities within the framework of a single world policy of development.

5. Such essential joint action was possible only in the context of long-term planning. Planning implied the need to establish an order of priority and for both industrialized and developing countries to envisage economic and social development from a global point of view. Development was above all a question of social reforms and transformation of economic structures, and hence the need for long-term planning, which would permit a proper utilization of the means of production.

6. The developing countries would be well advised to conclude economic agreements among themselves in order to ensure economic integration on a regional basis. That would not only enable them to promote co-ordination of their infrastructure and industrialization but also collabo-

ration with the developed countries. That was what Italy had been able to do, for instance, in the case of the Italo-Latin American Institute, which had its headquarters in Rome. International financial co-operation should preferably be on a multilateral basis and be ensured through such United Nations bodies as the UNDP, FAO and IBRD.

7. Reviewing the new indispensable instruments, he said that an extensive reform of the existing mechanisms was required. In regard to commodities, the search for "product by product" solutions should be continued within the framework of international agreements. It was in that spirit that a prompt decision on cocoa should be sought. Buffer stocks were in principle a useful stabilizing instrument but they could be created only within the framework of international commodity agreements. Measures to promote exports from the developing countries should have the fullest support. Special tariff measures should be adopted with respect to manufactures exported by the developing countries with a view to promoting maximum industrialization of the beneficiary countries. In that field the main criterion should be feasibility, although the possibility of adopting quotas in some cases should not be ignored.

8. Regarding the development of trade, there was apprehension in some quarters that there would be a revival of protectionism. That would cause irreparable damage to the countries which were ready for economic take-off. The Italian Government considered that the trend towards trade expansion and reduction of trade barriers affirmed by the Kennedy Round should in no case be reversed.

9. With regard to agriculture, it was necessary to solve the problem of hunger not only through aid in the form of food but mainly through the transformation of production patterns in the backward areas. The Italian Government supported the multilateral measures undertaken by FAO in that connexion.

10. Referring to the financial aspects of the problem of trade expansion, he drew attention to the following points.

11. The Italian Government, which had supported an increase in the resources of IDA, was willing to participate in a further replenishment of the funds of the Association to the extent of a 60 per cent increase. It would also favour an increase in the resources of the regional financial institutions.

12. Statutes should be drawn up for a supplementary financing fund in favour of the development plans of the developing countries. Consideration should also be given to entrusting the administration of that fund to IDA. Referring to purely monetary questions, he said that the contingency plan adopted at the recent meeting of IMF at Rio de Janeiro³⁴ should operate in such a way as to take account of the needs of the developing countries. He was not sure whether the studies being made by UNCTAD would throw sufficient light on the problem of liquidity in the developing countries.

13. He also stressed the need to create proper conditions in the developing countries to attract an increasing volume of private investment.

14. In connexion with the new measures called for by the strategy of development, one question appeared to him crucial: should the present course be pursued or should a new one be adopted? Efforts had been made for twenty years at the level of international organizations, but the problems of the developing countries remained unsolved.

15. The EEC, which was now the largest importer of raw materials in the world, had taken on particular

responsibilities with regard to its associated African members and was contributing significantly to the development of other Latin American, African and Asian countries. That action would be greatly stimulated after the United Kingdom and other countries had joined EEC and when contacts between Western and Eastern European countries had been extended.

16. It was unrealistic, however, to hope that the industrialized nations could earmark more than 1 per cent of their resources for the under-developed countries. He nevertheless saw two courses of action which should be adopted. The first was the gradual conversion of military into development expenditure. Inspired by an idea formulated in Bombay in December 1964 by Pope Paul VI, the Italian Government had submitted such a proposal to the United Nations Disarmament Commission. In November 1965, it had submitted a further proposal of a similar nature under which the nuclear powers would transfer regularly an agreed quantity of fissile material to other countries at a price below market value. Part of the proceeds of the sale would go to the nuclear Powers and part to a fund for the advancement of the developing countries which would be administered by the United Nations. The second course of actions was through science and technology.

17. UNCTAD had now reached a crossroads. In order to put into operation the over all development strategy it was preparing, it needed a minimum of executive power. Only in that way could the vicious circle of the technological, commercial and monetary gaps at last be broken.

³⁴ See resolution No. 22-28, adopted on 29 September 1967, by the Board of Governors of the International Monetary Fund, in joint session with the Boards of Governors of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association (see *Summary Proceedings, Annual Meeting, 1967*, pp. 271-279).

**Summary of statement made at the 57th plenary meeting, 13 February 1968,
by Mr. K. B. Scott, Permanent Representative of Jamaica to the United Nations Office at Geneva**

1. Mr. Scott (Jamaica) said that the figures for the first seven years of the United Nations Development Decade were eloquent enough and showed very clearly that conditions had in no way improved for developing countries. The modest target set by the first session of the Conference for the transfer of 1 per cent of the national income of developed countries to developing countries by way of developmental assistance had not been achieved. Developmental assistance as a proportion of the combined gross national product of the developed countries had fallen from 0.87 per cent in 1961 to 0.62 per cent in 1966. The position as regards financial assistance was even more gloomy; in 1966 debt servicing by developing countries had absorbed 45 per cent of official bilateral lending.

2. Even more disappointing was the lack of conviction on the part of many of the developed countries in respect of the measures which should be taken to alleviate the situation. Some of those countries had been pointing to their own troubles at home to explain away the failure to implement the recommendations of the first session of the Conference and the low volume of aid granted to developing countries.

3. The concerted effort needed to resolve global problems existing today could not wait until the specific

problems of each and every developed country were solved. He was not suggesting that developing countries should be wholly dependent on measures taken by the developed countries; most developing countries recognized that the developmental impetus should come from within the developing countries themselves. It must be ensured that the maximum resources and efforts were brought to bear on the problem of the misery of mankind. He hoped that in the meetings of the five Main Committees of the Conference a more positive and dynamic attitude would be adopted by those developed countries which had not so far shown a willingness to acknowledge their full responsibility in the world strategy for development.

4. Since the first session of the Conference, Jamaica had participated to the fullest extent possible within the limits of its resources in advancing and applying the principles enunciated at that Conference. Jamaica had an export economy which was largely based on the production and shipping of a few agricultural commodities and on exports of bauxite and alumina. The Jamaican delegation would sharply focus its attention at the second session on the formulation of a programme of action in the field of commodity policies and on the principles designed to promote the expansion of exports of manufactures and semi-manufactures from developing to devel-

oped countries by means of a general system of preferences.

5. The Jamaican delegation fully subscribed to the emphasis placed on international commodity policies by the Charter of Algiers. There was a definite need for an overall primary commodity strategy, which could best be carried out by modernized comprehensive international commodity agreements. The aims of such agreements should not be restricted to international supply management in order to tide a specific commodity over a difficult period. They should give both producers and consumers the opportunity to plan ahead for a longer period of time (say five to eight years) and should make it possible to co-ordinate the production plans of the different producer countries. Such agreements should also lead to an expanding world supply and trade in primary products.

6. With regard to specific commodity arrangements, Jamaica had actively participated in the international discussions on cocoa, coffee and sugar. It was disappointed that the negotiations on a new cocoa agreement and the renewal of the International Coffee Agreement had not so far been successful. Jamaica was vitally interested in the forthcoming United Nations Sugar Conference which was to be held in Geneva in April; it was firmly convinced that after a lapse of six years the time was ripe for the conclusion of an international sugar agreement.

7. With regard to the question of preferences, he reminded the Conference that most of his country's agricultural export commodities were produced under non-competitive conditions and that there was only a limited scope for diversification, because of the topographical conditions of the island and its small domestic market. Jamaica had in fact built its economic development on a foundation largely dependent on special preferential arrangements of long standing. In this connexion, it approved the provisions in part two of the Charter of Algiers under the heading of "Preferences"; as regards the general system of preferences for manufactured and semi-manufactured products, Jamaica also endorsed the provisions of the Charter.

8. However, Jamaica emphasized that any phasing out of existing preferences for primary products should not be prejudicial to the economic and social structure of the countries receiving such preferences. On the contrary, such countries should receive by synchronized international measures at least equivalent advantages, and the applicability, equivalence and negotiability of those measures would have to be considered with respect to each commodity and country concerned.

9. Similarly, Jamaica pointed out with regard to the new system of general preferences for manufactured and semi-manufactured products, that the Charter of Algiers stipulated in section B, 1 (g), that the system should ensure at least equivalent advantages to developing countries enjoying preferences in certain developed countries to enable them to suspend their existing preferences. Jamaica also emphasized that section B, 1 (g), of the Charter further stated that in such a system there should be provision "for the developed countries to redress any adverse situation which may arise for these developing

countries as a consequence of the institution of a general system of preferences."

10. As for the problem of invisibles (including shipping), Jamaica hoped that the level and structure of ocean freight rates for the commodities exported or imported by the developing countries would be reviewed, since they operated against the vital interests of most developing countries. What was needed most was full publicity of the tariffs and the opportunity for developing countries to have some voice in any changes of ocean freight rates affecting their economies. His delegation also supported for the consideration of the Conference the creation of a special fund for port development.

11. Jamaica was deeply interested in any discussions of the problems of the tourist industry and of proposals for international financial support for that industry. As regards growth, development finance and aid, Jamaica joined with other developing countries in expressing great disappointment at the level of aid and the trend which the terms and conditions of aid took during the first part of the Development Decade.

12. The replenishment of the funds of IDA was one of the most urgent questions before the Conference. Jamaica wished to suggest (as it had done at the meeting of IBRD and IMF at Rio de Janeiro in September 1967)³⁵ that new criteria be considered for making IDA credits available for projects which by their very nature required soft untied aid, regardless of the specific developing country involved. Jamaica further suggested that a portion of IDA funds be set aside to implement such proposals and that the remaining funds should be applied to the projects of countries which qualified by virtue of their levels of development and income.

13. The Jamaican Government had been making every effort to encourage the flow of private investment into the island; it was in the context of that policy that it supported the proposed multilateral investment insurance scheme being studied by the IBRD. The proposal for Special Drawing Rights to increase international liquidity had the full support of the Jamaican Government.

14. In so far as balance-of-payments pressures had impeded the flow of aid, Jamaica supported the view that the easing of such pressures resulting from the deliberate creation of new reserve assets should be accompanied by a simultaneous increase in the flow of development assistance.

15. Part two, section C, of the Charter of Algiers requested that the IMF's compensatory financing of export fluctuations be further liberalized and suggested that the second session of the Conference should negotiate an agreement for early implementation of a scheme of supplementary financing. Those two schemes were essential, but he emphasized that they were not substitutes for commodity agreements. They were designed to offset temporarily the loss of export earnings, but they could not stabilize prices or the volume of international commodity trade.

16. Jamaica was ready and willing to co-operate in the common struggle to build a stronger world economic structure for the benefit of mankind.

³⁵ IMF, *Summary Proceedings, Annual Meeting, 1967*.

**Summary of statement made at the 41st plenary meeting, 5 February 1968,
by Mr. Etsusaburo Shiina, Minister for International Trade and Industry of Japan**

1. Mr. Shiina (Japan) reviewed the encouraging results achieved by UNCTAD since its establishment in 1964. In Japan, UNCTAD had helped to create nation-wide recognition of the urgency of the problems of development.

2. As regards development assistance, the total net amount of Japanese capital flow to the developing countries had risen between 1964 and 1966 from \$290 million to \$540 million, an increase of 80 per cent. The increase in the flow of Japanese public capital in the same period to the developing countries had been even more spectacular, for it had amounted to 150 per cent (\$120 million in 1964 and \$290 million in 1966).

3. In Asia, Japan had given substantial financial assistance to the Asian Development Bank. It had launched the idea of a Ministerial Conference for the Economic Development of South-East Asia, which had been meeting periodically since April 1966 and enabled discussions to take place which were increasingly fruitful for regional co-operation in South-East Asia.

4. As regards trade, Japan had formed increasingly close trade links with the developing countries of Asia, Africa and Latin America, for which it was now one of the most important export markets. Japanese imports from the developing countries had increased by more than 40 per cent in three years, their value increasing from \$3,200 million in 1964 to \$4,600 million in 1967. In particular, imports of manufactured and semi-finished products had continued to increase, at the remarkable annual rate of nearly 30 per cent. The developing countries' share in Japan's total imports was approximately 40 per cent, a percentage which was very much greater than that achieved by the developing countries in the markets of other developed countries. That favourable trend for the exports of developing countries should continue, particularly as Japan had granted very many concessions in connexion with the Kennedy Round of trade negotiations, and economic growth in Japan did not seem likely to slow up in the immediate future.

5. On the world-wide level, the results of UNCTAD were no less encouraging. While the annual global rate of growth of 4.5 per cent of the developing countries as a whole during the first half of the 1960s had not attained the target set for the United Nations Development Decade, nor even the rate achieved in the second half of the 1950s, some developing countries had nevertheless achieved a relatively high annual rate of growth, reaching and sometimes surpassing the target of 5 per cent.

6. Those encouraging results were to be explained by three factors: first the developing countries were making increasing efforts to mobilize their resources effectively for development—that was a fundamental principle which the developing countries had included in the Charter of Algiers (TD/38), secondly, there had been a dynamic expansion of world trade sustained by a high level of economic activity in the developed countries—the developing countries' exports had increased at an average

annual rate of 6 per cent from 1960 to 1966 as compared with 3.5 per cent during the corresponding period in the 1950s, a rate of growth which was perhaps still inadequate, but which had certainly eased the balance-of-payments difficulties of a considerable number of developing countries; thirdly, the rising inflow of capital had played a catalytic role in the capital formation of developing countries. In spite of the valid criticism of the stagnation at present impeding assistance efforts in the international sphere, it must not be forgotten that over the past ten years the average annual flow of capital had increased from some \$7,000 million to nearly \$9,500 million, that is to say, an increase of about 30 per cent.

7. Without wishing to appear unduly optimistic in a reaction against the pessimism shown by too many members of UNCTAD, he was nevertheless convinced that those three factors—mobilization of their resources by the developing countries, dynamic expansion of world trade and a high rate of capital inflow—would continue to play the same important part in speeding up economic development.

8. No doubt the developing countries would have to mobilize their resources to an even greater extent, and in particular to develop their agriculture, and increase savings and the productivity of their own capital. For that purpose, if they wished to derive the greatest possible benefit from international co-operation, they would have to adopt a policy which was truly development-oriented.

9. In the field of trade, the lowering of customs barriers as a result of the Kennedy Round should encourage exports from the developing countries. The success of those negotiations would be judged not only by the concessions which would benefit the products of direct interest to the developing countries, but also by the increase in world trade—an increase which would naturally have repercussions on the trade of the developing countries. In the case of commodities, in particular, an effort must continue to be made to find solutions which would make it possible to develop trade and stabilize prices. Japan hoped especially that it would soon be possible to conclude an international cocoa agreement. As regards manufactured goods, exports of them must also be encouraged and the establishment of the joint UNCTAD/GATT International Trade Centre would be particularly useful in that connexion. As regards preferences, the Japanese Government had decided that it would participate, under certain conditions, in a generalized and temporary system of preferences despite the difficulties which that would involve for its own economy, whose industrial structure and trade pattern differed from those of most other developed countries. The developed countries which were members of OECD had agreed on a number of principles to be followed in establishing a general system of preferences, but account should also be taken of the views expressed on that subject during the session by the developing countries.

10. As regards the flow of capital, the situation was not at all encouraging. Like other developed countries, Japan was experiencing serious difficulties both with its budget and with its balance of payments. Should the adverse circumstances brought about by recent developments in the international monetary field continue, it would not be realistic to count in the immediate future on any substantial increase in the flow of capital. It was nevertheless necessary that assistance in that field should increase in both quantity and quality. In its 1968 budget, the Japanese Government was substantially increasing its allocations for assistance. It was also going to pay a contribution of \$100 million into a fund which would be administered by the Asian Development Bank and which was mainly intended to promote the development of agriculture in the countries of the region. But the needs of that region were enormous, and Japan's capacity to give assistance was relatively small. He appealed to other developed countries to follow its example.

11. If it was desired that the Conference should achieve concrete results at its second session, certain basic guidelines should be followed.

12. Development was a long-term task, the objectives of which could only be achieved through continued and steady efforts. He believed, however, that the developing countries, given the level of technology and resources available in the twentieth century, could achieve within a short space of time what it had taken the developed countries of the present one hundred years to achieve, provided the task was carried out with perseverance.

13. No simple solutions to development problems and the policies to be formulated were to be found. Attention should not be paid to one or two aspects only of the

problem, such as trade or foreign exchange reserves, since it was essential to embrace the issue as a whole. At the same time, it was all right to speak of a "global development strategy" so long as that was not done in the belief that somehow a magic formula would be found for putting it into effect.

14. Whether in matters of trade or aid, no problem could be solved without the joint efforts of the developed and the developing countries. External assistance alone could not generate growth, unless it was matched by sound development policies in the recipient countries.

15. Finally, it should be clearly recognized that the developed countries did not constitute a homogeneous group any more than the developing countries. Since the capacity of the developed countries to meet the needs of the developing countries differed from one country to another, undue burdens should not be imposed on particular countries whose economies were more vulnerable than others to certain policy measures.

16. The international situation did not give much ground for optimism. But that fact should not discourage those taking part in the Conference. On the contrary, it should serve as an additional incentive for a constructive dialogue, based on mutual understanding which could not grow from confrontation between two rigid blocs of countries—developing and developed. The effectiveness of UNCTAD should be judged not so much by the scope of the concessions made by the developed to the developing countries as by the degree of common understanding reached by all countries on the complex nature of development and on the general directions in which solutions were to be sought. Japan would do all in its power to ensure that such constructive dialogue developed.

**Summary of statement made at the 61st plenary meeting, 15 February 1968,
by Mr. Kemal Homoud, Ambassador of Jordan to India**

1. Mr. Homoud (Jordan) associated himself with the representatives of Arab and other developing countries who had expressed their support of the principles laid down in the Charter of Algiers.

2. The aims of the second session of the Conference were sufficiently clear and well known. They were, briefly, to discuss the problems of developing economies and to find the best methods of solving them. If all participants pooled their thoughts and efforts, they must surely succeed in completely eliminating economic injustices and inequalities. The responsibility for promoting international trade and overcoming under-development fell on developed and developing countries alike, and Jordan hoped that they would carry out that task in a spirit of sincere co-operation both at the international and regional level, so as to mobilize national resources, train skilled personnel and intensify educational programmes.

3. The first session of the Conference had stressed that political peace and economic prosperity were closely linked, and the Secretary-General of the United Nations had

reiterated that view a few days previously at the 51st meeting (see TD/67). Its truth was particularly apparent in Jordan at the present time. The occupation by Israel troops of the west bank of the Jordan, the most fertile region of the country, had deprived the country of 37 per cent of its agricultural production, 48 per cent of its light industry and 40 per cent of its foreign exchange receipts. Work on the Yarmouk river dam and other development projects had had to be suspended and the continued large influx of refugees added to the serious threat to the structure of the national economy.

4. In Asia, too, poverty could not be fought as long as political instability persisted in the region and whole peoples were denied their fundamental rights.

5. Jordan considered that the Conference should give its attention to that aspect of the problem bearing in mind that, although its chief aim was to find the most suitable means to fight poverty, such a fight could be fought only in an atmosphere of peace.

**Summary of statement made at the 55th plenary meeting, 12 February 1968,
by Mr. Mwai Kibaki, Minister of Commerce and Industry of Kenya**

1. Mr. Kibaki (Kenya) said that the seven years of the United Nations Development Decade which had passed had been a period of disappointment whether measured in terms of the United Nations' targets or of the modest expectations of the developing countries. In that period *per capita* income in the wealthy countries had grown by about 12 per cent, while in the developing countries it had increased only slightly and in a number of cases had not only stagnated but actually decreased. Between 1953 and 1966, the share of developing countries in total world imports had declined from 27 per cent to 19.3 per cent. In the first half of the 1960s the annual growth rate for total world exports had been 7.8 per cent, whereas for the developing countries it had been only 4 per cent. The value of manufactured products exported from advanced countries had grown between 1953 and 1966 by \$65,000 million in the advanced countries and by \$10,000 million in the socialist countries, while the growth in exports from developing countries had amounted to only \$3,000 million.

2. The target of 1 per cent of the gross national product of the advanced countries for aid to the developing countries had not been reached. The foreign public debt of developing countries had increased from \$10,000 million in 1955 to \$40,000 million in 1966, with a corresponding increase in interest from \$500 million per year to \$4,000 million. A scheme for softer loans and longer periods of maturity was still only an idea and the same applied to reduced trade barriers, commodity agreements and improved terms of trade. The objectives of the first session of the United Nations Conference on Trade and Development were still no more than visions of the international community. Four years had passed since the first session and no target had yet been reached.

3. All countries agreed on the nature of the problems and their possible solutions. What was lacking and what the Conference must provide was a clear-out programme of positive action. Trade, aid and economic development had been the subject of many discussions, resolutions and declarations, but the fact remained that the economies of the developing countries continued to suffer from adverse conditions. At the moment, public opinion and Government attitudes were favourable; that favourable moment must be seized in order to lay down a programme of action for the long-term solution of the problems of development.

4. Kenya had a diversified agricultural base producing a wide range of tropical and temperate products. Its development plan provided, *inter alia*, for a diversified and intensive system of agriculture. Development through a planned economy was, however, hampered by the fluctuations in the prices paid for Kenya's major agricultural exports on the international markets. Stabilized prices at remunerative levels were a *sine qua non* for development, and not only for Kenya, but for all developing countries.

5. Because of its contribution to Kenya's national product and to employment and foreign exchange earnings, agriculture would remain for many years to come the

most important sector in the economy. During the decade 1954-1964, agriculture had provided almost 40 per cent of the gross domestic product; almost 65 per cent of Kenya's total exports were agricultural and allied products. In spite of that its major agricultural exports were subject to trade barriers. Since Kenya did not produce any one commodity in quantities sufficient to have an influence on world commodity prices, the country was entirely at the mercy of fluctuations in commodity prices in its major export markets. While urging farmers to produce more in order to earn more foreign exchange for economic development, it had sadly to watch the fruits of its endeavours being nullified by the prevailing patterns of international trade, which were too restrictive.

6. Agreements like the International Coffee Agreement would be harmful to the interests of developing countries if they were to place unnecessary limitations on their production capacity and thus curtail their economic development. Rationalization of the quota system through such an agreement was of no avail if it injured permanently the interests of the small producing countries.

7. Freer access to large markets for primary commodities had not been achieved. The final result of the Kennedy Round had shattered dreams of liberalizing trade, since the developed countries had only seen fit to exchange preferences among themselves. The problem of primary commodity markets therefore remained, as always, the most urgent and most critical one for the economies of the developing countries.

8. In regard to the World Food Programme, the aim of all developing countries should not only be economic self-sufficiency. Some of the countries which had a predominantly agricultural economy should become major suppliers to the rest of the world which was suffering from food shortages. Kenya was well aware of the fact and was making every effort to improve its agriculture on a rapidly growing scale. Its most pressing need was in the field of storage and preservation of food. For that it needed capital resources in order to construct storage facilities. It was true that an International Grains Arrangement had been worked out, but it was only a temporary arrangement, very small in scope, and inadequate to deal with the problem of food supply today. The United Nations should work out arrangements under its own auspices for the purchase of food stocks from countries with surplus production and release them whenever the need arose. It should also help to construct storage facilities in developing countries which were surplus producers of grain. Furthermore, the United Nations should encourage increased productivity by making it possible to open up new land, reclaim exhausted areas, encourage research, build facilities for fertilizer production, and establish training centres for agriculturists.

9. Whereas 75 per cent of the economy in developing countries was based on agriculture, only 6 per cent of official aid to all countries and 15 per cent of technical assistance had been committed to agriculture in recent years. Were those figures commensurate with the vast problem facing the world today?

10. Like all other developing countries, Kenya considered that industrialization was an essential ingredient of rapid and sustained economic growth. But the prerequisite for industrialization was investment, and there was severe competition in attracting scarce investment resources. The result was that the developing countries were left at the mercy of foreign investors, who made the high risks they took an excuse for hard bargaining. Without wishing to justify the alleged political instability of developing countries, he thought it clear that such instability was generated only through lack of opportunity, poverty and widespread unemployment. In respect of investment and aid, he suggested that a scheme of international standards for inducements and guarantees for foreign investors in developing countries should be worked out and that the capital resources of IBRD and IDA for investment in developing countries should be increased. Although some countries had already adopted such measures, there must be wider and more intensive application of them on an international scale.

11. The net flow of long-term capital from the rich world to the poor had not increased and even seemed to have declined in 1966. Besides stabilization of prices, easier access to markets in developed countries and preferences for developing countries, greater amounts of aid were still needed to diversify, expand and increase the efficiency of the developing countries' productive capacity if they were to take full advantage of trade liberalization policies. In that sense, developing countries needed liberalization of trade as much as aid; and any efforts to camouflage such liberalization by representing it as aid would inevitably mislead them.

12. In regard to invisibles, and particularly shipping, developing countries were inhibited from making significant advances by freight rates, conference practices and the inadequacy of shipping services. The Conference should look into the question of how to eliminate the inequities in the operation of shipping conferences and should seek ways and means of enabling developing countries to take part in liner conferences and ship-owners' conferences.

13. In the recent attempts to lower tariff and non-tariff barriers to international trade through the Kennedy Round, there had been a major lowering of tariffs on products characterized by advanced technology, but less on those coming from developing countries. Measures taken in developed countries to protect primary processing, although reduced, were still a major impediment to access for developing countries' exports of manufactures and semi-manufactures. The Kennedy Round had had

little or no effect on existing preferential régimes. The Contracting Parties to the General Agreement on Tariffs and Trade had managed since the war to achieve a remarkable expansion in trade amongst the affluent nations, thanks to the well-tried techniques of negotiation and consultation, which UNCTAD should perhaps adopt if it wished to gain positive results.

14. Development plans could be prepared on the basis of very limited data, as the example of Kenya showed. Fuller information was needed, however, in order to improve national and regional planning and to attract foreign investment. Natural resources, which several developing countries had in abundance, remained under-utilized; a programme to survey those resources was therefore needed and should proceed together with planning of regional and continental infrastructures. Water resources should also be surveyed, so that they could be shared over a region on a rational basis. Far too little was known about human resources, either, through lack of statistics. Developing countries should from the outset use the most efficient and modern techniques of collecting and classifying all the statistical data they needed. Data centres should therefore be set up forthwith in developing regions.

15. In advanced countries, a major part of the task of evaluating industrial opportunities was performed by the private sector itself. In the case of the developing countries, that task had been undertaken by the regional economic commissions, but the United Nations should step up its efforts in that field. His delegation therefore recommended the establishment of feasibility analysis centres in the developing countries under the auspices of the regional economic commissions. The centres would identify and survey industrial opportunities, carry out feasibility studies, seek out and help negotiate with foreign and domestic investors and make following evaluations of projects that were undertaken.

16. In the field of economic co-operation, Kenya was a member of the East African Community, together with the Republic of Tanzania and Uganda. It hoped that many other countries in the region would soon join the Community, so that they could collaborate commercially and industrially in order to modernize and expand their production.

17. In conclusion, he emphasized that although the developing countries recognized their need for foreign assistance, they should not develop a dependent mentality, since it was on themselves that they must rely first and foremost in seeking to achieve rapid development.

**Summary of statement made at the 50th plenary meeting, 8 February 1968,
by Mr. Abdulla Al-Jabir Al-Sabah, Minister of Commerce and Industry of Kuwait**

1. Mr. Al-Sabah (Kuwait) said that economic under-development was the result of the accumulated injustice of many centuries. The problem had reached such a stage that it called for a transformation of the prevailing patterns. Thanks to the first session of the Conference,

the world realized the seriousness of the situation and its threat to the future of world economy.

2. The first session of the Conference was held in an atmosphere of optimism; but the ensuing results were not up to the expectations of the developing world, which

regarded the 1964 decisions as a first step towards more far-reaching recommendations.

3. All the studies at present before the Conference showed the persistence of under-development and the widening gap between the industrialized countries and the less-advanced countries. The relative share of the developing countries in world exports had declined, lower raw-material prices had caused a falling-off in the purchasing power derived from exports, there was a gradual decrease in the rate of capital flow to the developing countries, and stricter terms for the granting of loans. That explained why

the *per capita* income in the developing countries was increasing at a slower rate than in the developed countries. The Kuwait Fund for the Economic Development of Arab Countries, which granted long-term soft loans to sister Arab countries, provided a good example of untied financial aid for development.

4. The delegation of Kuwait hoped that the Conference would adopt as a basis for its discussions the Charter of Algiers (TD/38), which embodied the aspirations of the Third World, and that the Conference would find a way to checkmate under-development.

**Summary of statement made at the 45th plenary meeting, 6 February 1968,
by Mr. Sisouk Na Champassak, Minister of Finance of Laos**

1. Mr. NaChampassak (Laos) said that the purpose of the work of the Conference was to find solutions which would reduce the gap between the rich countries and the poor countries. The latter were becoming increasingly conscious of their right to receive financial and technical help from the prosperous countries to enable them to escape from their economic stagnation and their isolation.

2. All the studies undertaken by the United Nations demonstrated that it was in the interests of all States to set up a genuine system of international co-operation, which would provide the only true remedy for present-day inequalities. The essential prerequisites were a rapid development of the foreign trade of the developing countries, so as to make them progressively less dependent on foreign assistance, and an increase in agricultural productivity in the countries where food production was insufficient. In order to carry out such a programme, the prices of primary commodities, of which the developing countries were often the only producers, must be stabilized on the international market and access for exports of manufactures and semi-manufactures from the developing countries to that market must be facilitated. Productive investments should also be encouraged by making the conditions of lending more flexible, by opening the capital market to IBRD and Asian Development Bank loans, by easing the conditions imposed on the use of foreign aid — in particular through the abolition of tied aid — and by developing trade and economic co-operation between developing countries.

3. The Conference should give priority to ways and means of satisfying the most urgent needs of the least-

developed developing countries. The developing countries should not all be placed on the same level: some of them needed special treatment, if only because of their geographical isolation. A land-locked country bore a much heavier burden because of the long time required for transporting goods, the frequent transit operations and breaking of bulk needed for both exported and imported goods. Such was the situation in Laos, which was hampered by vital economic necessities and haunted by the spectre of a war which continued to add to the existing poverty and mourning. The data concerning Laos's foreign trade indicated the size of its trade-balance deficit. The country was traditionally an exporter of rice and cattle, but must now resort to considerable food imports in order to feed its population. While the annual *per capita* income of the developing countries as a whole was \$190, that of Laos was only \$90. However, some satisfaction could be felt at the decision to carry out the construction of the Nam Ngun dam, which would enable the plains of Vientiane to be cultivated and thus restore Laos's ability to export food products.

4. But the developing countries had not come to New Delhi to present a list of grievances but to work out a "global strategy", as the Secretary-General of UNCTAD had called it (TD/3/Rev.1)³⁶, for abolishing economic inequality.

³⁶ *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E. 68.II.D.6).

**Summary of statement made at the 53rd plenary meeting, 10 February 1968,
by Mr. Georges Hakim, Minister for Foreign Affairs of Lebanon**

1. Mr. Hakim (Lebanon) said that in an increasingly interdependent world economic progress was indivisible and failure to achieve it would result in internal and international conflict and violence. The first session of the United Nations Conference on Trade and Develop-

ment had laid down the foundations for international co-operation in the field of trade and development by identifying and proposing solutions to the problems of the developing countries, but little progress had been made in implementing its recommendations. The time had now

come for UNCTAD to work out agreements on concrete measures to promote trade and development so that the present session of the Conference could be the starting point for effective international co-operation.

2. The aspirations of the developing countries were expressed in the Charter of Algiers (TD/38), which suggested a programme of action for adoption by the Conference. The considerations on which that programme was based were not contested. The fall in purchasing power of the exports of developing countries, the decline in their share of world exports, their increasing indebtedness, the decrease in the net flow of capital from the developed world and the more onerous terms and conditions of development finance were all well-known facts. The measures proposed by the developing countries might be controversial, but what was needed was constructive criticism and debate. If the representatives of the developed countries disagreed with some of the conclusions of the Charter of Algiers, they should submit proposals of their own to achieve the same results. Above all, if agreement was reached on concrete measures, the developed countries should see to it that appropriate action was taken by their governments. UNCTAD could ill afford a repetition of the experience of the first session of the Conference where there had been little or no implementation of the recommendations, such as that proposing that each developed country should endeavour to supply financial resources approaching one per cent of its national income.

3. The developing countries had recognized that the primary responsibility for their development rested on themselves and were ready to make considerable efforts and sacrifices to that end. They welcomed expert advice and assistance on measures to be taken by them at the national level, but the main task of UNCTAD was to promote agreement on international action. The Secretary-General of UNCTAD had called for a global strategy of

development (TD/3/Rev.1)³⁷ and indeed it was high time to take effective international action. In recent years the inherent weaknesses of the economies of the developing countries had been aggravated. A new sense of urgency was needed to achieve a more rapid rate of economic development in Asia, Africa and Latin America. He therefore pleaded for more action and less debate, for more agreement and less polemics, for more co-operation and less confrontation.

4. At the first session of the Conference all had agreed on the need for international commodity agreements, but almost no progress had been made in that direction. There was a grave danger that hopes for development through international co-operation would give way to despair. Yet, development was a historical necessity; the question was not whether but how it would come about — by co-operation or by conflict. Co-operation between developing and developed countries should be intensified irrespective of their economic and social systems. Greater emphasis should gradually be placed on multilateralism rather than bilateralism. Co-operation among the industrially advanced countries could result in important benefits to the developing world. Much greater efforts should be made to strengthen co-operation between the developing countries. Regional and inter-regional arrangements could, in the long run, produce important benefits not only in trade but in the transfer of technology and in the financing of development.

5. Because of their wealth and economic power, the industrially advanced nations had a special responsibility to help the developing countries and to promote worldwide economic development. Given a sense of world community and human solidarity, he felt sure that the historic challenge of development could be effectively met.

³⁷ *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6).

**Summary of statement made at the 59th plenary meeting, 14 February 1968,
by Mr. D. Franklin Neal, Under-Secretary for Planning and Economic Affairs of Liberia**

1. Mr. Neal (Liberia) said it was disheartening to find after identifying the problems of the developing countries' trade and development that not one of the developed countries was prepared to lend full support to the principles stated in the Final Act of the first session of the Conference.³⁸ In spite of that, the developing countries had continued their efforts and it was to be hoped that the goodwill which seemed to mark the beginning of the second session of the Conference would be translated into positive commitments for reducing the gap between the developed and developing countries.

2. In the case of Liberia, all the material and technological resources needed for its development had to be

imported from the advanced countries. Consequently, it had to export more and more to obtain the necessary resources for its national programme.

3. In the present decade developing countries found themselves almost impotent before the economic forces of the developed world. The markets belonged to a few highly developed countries, whose interests were closely co-ordinated in order to further their economic growth and integration. The developing countries' problems were accentuated by synthetic substitutes for the products on which they depended to pay for development.

4. His delegation proposed that the second session of the Conference should continue to seek a new joint development strategy to end the economic decline of the developing countries. They hoped that the developed countries, both East and West, would commit themselves to take practical measures in order to implement that new strategy.

³⁸ *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

5. To start with, the second session should seek some practical solution to the problem of primary commodity prices. The commodity market must be stabilized and the developing countries must participate in international commodity trade at remunerative prices. The Conference must, above all, endeavour to reform the international trade in tropical commodities in favour of the exports of developing countries. The principal problem they wished to overcome was market instability and the effects of domestic charges on those commodities, which were an obstacle to their consumption in the developed countries.

6. Many speakers had recognized that diversification of the economies of the Third World was an essential element in the process of economic growth. But there were two factors to be taken into account: first, more financial and technical assistance must be made available by the developed countries and appropriate international financial institutions to help in establishing industries in the developing countries; secondly, access to the markets of the developed countries was a *sine qua non* if the prosperity enjoyed by the rich countries was to be shared by the developing countries. It was interesting to note that between 1955 and 1965 the rate of growth of world trade in semi-manufactures and manufactures had been higher than for primary commodities. The share of semi-manufactures and manufactures in world trade had increased from 49.2 per cent in 1955 to 58.9 per cent in 1965. But the beneficiaries of that increase had been the developed countries and the centrally-planned economies, whose joint share in the export of those products had risen from 73.8 per cent in 1955 to 82.4 per cent in 1965, while the developing countries had suffered a decline from 6.6 per cent to 5.8 per cent.

7. In order to solve that problem the countries granting financial and technical assistance might usefully give the highest priority to diversification programmes on the inter-regional, regional or sub-regional levels.

8. With regard to access to markets and the problem of preferences, it should be pointed out that exports from Africa seemed to be oriented towards organized economic

groupings. Liberia, which had no ties with any of those economic blocs, was isolated and enjoyed no preferential treatment in the markets of any of the developed countries. His delegation felt that that trend in the pattern of world trade hampered its free flow.

9. The developing countries expected the Conference to produce principles and a practical scheme for preferences. Although the Kennedy Round had succeeded in reducing tariffs on manufactures, the items affected were not those produced in the developing countries, and they hoped that the Conference would be followed by a new round of negotiations leading to tariff reductions on agricultural commodities.

10. The trading of tariff concessions through the GATT type of exchange was hardly compatible with the nature of the problems of the developing countries, which could not afford to offer reciprocal concessions and required above all a system of general preference for their exports without reciprocity and without an automatic extension of such preferences to other developed countries.

11. The question of buffer-stocks having been examined in detail at the first session of the Conference, the developing countries had expected that by now some practical steps would have been taken to apply that system in order to stabilize primary commodity prices. His delegation recommended that the question should be considered further at the present session.

12. One of the most important results of the first session had been the call for improvement in the trade between socialist and developing countries. The second session should equally call on the socialist countries to grant preferences to the developing countries and to decree a general lowering of tariffs on their products.

13. His delegation would continue to stand by the principles of the Final Act of the first session and fully associated itself with the recommendations of the Charter of Algiers. It was convinced of the practical possibility of the proposals it had just made and recommended them for consideration by the second session of the Conference.

**Summary of statement made at the 57th plenary meeting, 13 February 1968,
by Mr. Ibrahim El-Bakbak, Under-Secretary, Ministry of Economy and Trade of Libya**

1. Mr. El-Bakbak (Libya) said that his delegation fully endorsed the principles stated in the Charter of Algiers, which aimed at restoring the balance of world trade.

2. Energetic action alone would correct the situation and close the ever-widening gap between the poor and the rich countries.

3. A first series of measures should be concerned with improving trade in primary commodities and modifying the terms of trade in favour of the developing countries. Undoubtedly, such measures would, in the long run, serve the interests of the developed countries also.

4. A second series of measures should aim at promoting the economic growth of the developing countries through aid which the more advanced countries would provide. In that connexion, in addition to financial aid, other forms

of aid should be considered, such as technical assistance, professional training and the provision of qualified personnel for certain key sectors of the economy.

5. A third group of measures should be devoted to encouraging trade and economic integration among the developing countries themselves. The Libyan Government attached great importance to co-operation at the regional and sub-regional levels, for it considered such co-operation one of the surest means of establishing solid national economies. The case of the land-locked countries should receive particular attention.

6. The Libyan delegation sincerely hoped that the Conference would adopt specific resolutions during the present session and ensure that the recommendations of the first session were implemented.

**Summary of statement made at the 61st plenary meeting, 15 February 1968,
by Mr. A. Duhr, Counsellor of Legation, Ministry of Foreign Affairs of Luxembourg**

1. Mr. Duhr (Luxembourg) said that his country was convinced that the problem of economic development and of the fight against poverty was the concern of all countries, however great and powerful their economies. Luxembourg was ready to assume its share of that universal responsibility as far as it was able. Therefore, it had taken an active part in all the studies which had been carried out within the EEC and all the measures the latter had taken to encourage the development of international trade and to open up a growing share of its market to the developing countries.

2. The Luxembourg delegation shared the view of the Secretary-General of UNCTAD that neither the magnitude of the problems, particularly the financial ones, facing the developed countries, nor the definite slackening of the pace of their economic expansion should deter the Conference from studying fundamental questions which called for wide-ranging and long-term solutions.

3. At a time when the great industrialized countries were seeking solutions to their difficulties, it was appropriate that the present Conference offered them the opportunity to study a global strategy of development. Thus, they could establish a relationship between measures taken to set their economies back on the road to recovery and those which must be adopted at the international level to encourage a speedier growth of the developing countries. In so far as the Conference enabled those countries to obtain an increasing share of international trade, it would at the same time have rendered an important service to the economies of the industrialized countries.

4. With regard to primary commodities, there was a tendency to adopt a pragmatic approach to the problems of trade in certain commodities and to seek specific solutions which gave equal weight to the interests of producers and consumers. That tendency was particularly marked in

the case of cocoa and coffee, and remained more general in the case of other commodities. The Conference should indicate as clearly as possible the procedures to be followed for each separate commodity.

5. Luxembourg was pleased to note that the principle of a system of tariff preferences in favour of the developing countries had now gained acceptance. As a member of the EEC, it held definite views on the subject and sincerely hoped that the Conference would succeed in drawing the main outlines of such a system.

6. Efforts to increase trade among the developing countries and, in particular, studies on the types of interregional co-operation which those countries could put into practice were of special interest to Luxembourg, whose economy was dependent on a few types of production and needed in order to develop a system of intensive and regular trade with neighbouring countries. It was sure that the Conference would be able to carry out extremely useful work in that field and was ready to contribute its personal experience.

7. In the field of finance the crux of the matter, as the Tunisian representative had appropriately stressed at the 49th meeting, was the fact that, on the one hand, needs were almost unlimited while, on the other hand, resources were limited and great care had to be taken in using them. It would therefore be necessary to make a careful assessment of priorities and of the means whereby financial co-operation could be achieved.

8. It would be useless to gloss over the difficulties which the Conference would meet before arriving at satisfactory and effective results, but the fact that so many Governments had agreed to join in considering measures to raise the standard of living of all peoples gave in itself great cause for hope.

**Summary of statement made at the 58th plenary meeting, 14 February 1968,
by Mr. J. Rabemananjara, Minister of State, Ministry of Foreign Affairs of Madagascar**

1. Mr. Rabemananjara (Madagascar) said that the basic problem the Conference had been convened to discuss was above all an ethical one which had its roots in the egoism of the present-day world. The fact that the poor countries had taken the measure of their plight and accepted their share of responsibility for their state of under-development did not suffice; the rich must still demonstrate their will to do away with the scandal now prevailing, their determination to put an end to present suffering as an act of humanity and morality.

2. If it was to have any significance, the Conference must be a meeting of negotiation, of action and of commitment. The foundations had been laid when the first session of the Conference established the broad outline of an international policy of assistance to the developing coun-

tries. The basic facts were now well known and accepted by all. There was a general awareness of the issues at stake, and the elements existed for a more scientific approach to the solution of problems.

3. Why then did the Conference appear to be making no headway? Unfortunately, and without wishing to call in question anybody's sincerity, he had not perceived in the statements made by the representatives of the industrialized countries any clear evidence of a spirit of decision, of a resolve to attack the evil at its roots. The head of the French delegation had indeed made concrete proposals worthy of serious attention; they were, however, conspicuous for their isolation.

4. The first session of the Conference had taught the lesson that it was useless to adopt resolutions or take

decisions which were not unanimously accepted or which did not at least represent a compromise agreeable to the rich countries. The apprehension he felt was caused not by the magnitude and complexity of the problems requiring solution — for science and technology were capable of dominating hunger and remedying ignorance — but by the ambiguous attitude of certain delegations, their unwillingness to discuss frankly the real issues at stake and their tendency to conceal the really basic issues behind discussions on matters of secondary importance. The developing countries must at all costs adhere to the Charter of Algiers, which was the fruit of careful analysis and contained a synthesis of the major questions considered by Asia, Africa and Latin America as fundamental for drawing up the strategy of development.

5. The Charter of Algiers was thus a valid basis for discussion between partners. The developing countries were fully conscious of the fact that the struggle against under-development was above all their own struggle, that it must be based on national effort, resolution and willingness to make sacrifices. Development was above all birth into a new world. The industrialized countries had the moral obligation to assist in that painful process; instead of accusing the developing countries of incompetence, lethargy and even corruption, it would be useful to reflect on the facts of colonialism, its motives and its failure to bring about the radical transformation of the colonized civilizations. A few years' freedom was not enough to undo the harm of a century's enforced immobility.

6. Upon recovery of its sovereignty, Madagascar had tackled its development problems with energy, devoting particular attention to agriculture, stock-farming, industry, equipment and infrastructure, finance and education. Priority had always been given to promoting agricultural production and building the processing factories necessary to ensure adequate food supplies for the population, 80 per cent of whom were peasants.

7. The Government was naturally grateful to those countries and bodies which had provided capital for those purposes. Indeed, Madagascar offered immense possibilities for agricultural and industrial production, and the peace and stability which reigned throughout the country could not but encourage the Government to concentrate its energies on the organization and expansion of external trade.

8. It was, therefore, discouraging to note the frequency with which various external factors over which the Government had no control reduced the efforts made to overcome the problems of under-development to zero. While it was true that the developing countries themselves must be the principal architects of their own development, it was no less true that due to the evils of the prevailing economic system which governed world trade, the pace and health of the development process depended ultimately on the whims of international magnates. The end result was nothing less than the shameless exploitation of the poor by the rich.

9. His Head of Government had instructed him, and eminent African personalities had urged him, to denounce vigorously the survival of so harmful an economic system, based on an artificial balance between tropical products from Southern countries and consumer goods from

Northern countries. The rules and principles governing international trade should be reformed in the light of ethical principles which everybody had accepted but few hastened to put into practice.

10. Organization of markets along reformed lines would enable the developing countries to keep their resources for their own needs and to manage their economies more efficiently. It should not be forgotten that the efforts of any Government to improve productivity and expand production could be impeded, if not completely made negative, by the mistrust of farmers who, after suffering losses due to an unjust world economic system, tended to revert to an age-old subsistence economy. That, in his opinion, was the reason for the present stagnation of agricultural production in the developing countries, while that of the industrialized countries was expanding considerably.

11. With respect to external trade and public finance, the relationship between the volume of external exchange and national income was so close that a bad harvest or an abrupt drop in world price levels had deep repercussions on the behaviour and life of both individuals and social groups. National income tended to decrease at the very moment when, for various reasons, expenditure was increasing. Budgets were thus at the mercy of an external event, a diplomatic incident, a far-away conflict or even an agreement between consumers forcing the developing countries to sell at lower prices.

12. Those then were the fundamental reasons for which the developing countries urged that immediate agreement be reached on the general outline for a more humanitarian organization of the markets, based on the principles set out in the Charter of Algiers. All nineteen products mentioned in the Charter should be discussed during the Conference and viable schedules should be drawn up for each of them. Priority should be accorded to improving the terms of trade and to multiplying outlets on the markets of the industrialized countries. A long-term policy of that type should be preceded by financial measures enabling buffer-stocks to be established and ensuring that prices would not fall below a certain level.

13. Turning to the question of the volume of financial aid granted by the industrialized to the developing countries, he drew attention to the fact that while most of the industrialized countries had voted for the recommendation of the first session of the Conference fixing the level of aid at 1 per cent of national income,³⁹ very few had given it full effect. Indeed, the total volume of aid had decreased since 1964, a state of affairs which the industrialized countries explained by reference to their balance-of-payments situation or to budgetary difficulties. During the Ministerial Meeting of the Group of 77 at Algiers, it had been felt that the financial objective should be calculated on the basis of gross national product rather than national income; that had resulted in an increase of approximately 25 per cent in the desired volume of aid. The underlying intention had been to avoid a situation in which the countries which were already giving more than the target figure would be

³⁹ Convention of Association between the European Economic Community and the African and Malagasy States associated with that Community, signed at Yaoundé, 23/7/63.

tempted to reduce their efforts. Comparison of the *per capita* income situation in the industrialized and the developing countries made it clear that an increase in aid was necessary. The proposal to increase aid by 25 per cent should be considered not as proof of political immaturity but as an indication that the participants in the Ministerial Meeting were fully conscious of the difficulties to be overcome if the Development Decade was to live up to its name.

14. As far as distribution of aid was concerned, it was very important that efforts be directed towards increasing donations and long-term loans. The resources of IDA should be considerably increased. Furthermore, if nothing was done to check the rapid increase in debt-servicing, the least-developed countries would eventually become exporters of capital to the industrialized countries.

15. With respect to preferences, a number of attitudes could be adopted. The fact that certain countries were parties to the Yaoundé Convention⁴⁰ did not exclude their acceptance of the principle of a general system of preferences applicable to all the developing countries; nevertheless, it would be unreasonable to expect any country to abandon existing preferences before a general

system had proved that it could function efficiently. During discussions on preferences, it should be made very clear that all countries without exception must be placed on an equal footing.

16. Finally, he was convinced that economic development, particularly in its first stages, could not be successfully pursued if the training of qualified personnel in the developing countries was neglected. The specific nature of the problems to be solved in each country had not been sufficiently stressed. No real progress could be made unless sufficient personnel was trained to replace bilateral and multilateral technical assistance staff. He hoped that the Conference would examine suitable ways for the developing countries to obtain their own competent, qualified technical personnel as rapidly as possible. The importance of those problems was illustrated by the brilliant results obtained by certain countries despite their limited national resources.

17. Only a few weeks remained to discuss a large number of very complex problems. The economic situation in many countries was highly unsatisfactory; needs were not being met, and famine was becoming an immediate threat in some regions. He appealed to all present to make every possible effort to ensure the efficacy, coherence and rapidity of economic development for the benefit of all mankind.

⁴⁰ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p.44.

**Summary of statement made at the 52nd plenary meeting, 9 February 1968,
by Mr. A. K. Banda, Minister for Economic Affairs of Malawi**

1. Mr. Banda (Malawi), speaking as representative of a country almost entirely dependent on agriculture, said that his main concern was with the problems of exporting agricultural produce, as being the produce of primary importance to Malawi at its present stage of development.

2. Like other developing countries, Malawi realized that permanent improvement in the standard of living of its people would in the long run depend on the establishment of an industrial structure. At the present stage, however, it was only by developing agriculture that the living standard could be raised. Malawi had made considerable progress in that connexion since independence but, unfortunately, the products which it could supply to the world were in direct or indirect competition with those produced in the developed countries. Malawi thus came up against the basic problem of world agricultural production, arising from the imbalance deriving from highly subsidized and uneconomic production in the developed countries.

3. At the FAO Conference in November 1967, his Government had drawn attention to the inconsistency in the policies of the developed countries: on the one hand, they granted loans to assist the developing countries while, on the other, they prevented access to their markets for the products resulting from that aid, or confronted them with competition from exports of agricultural surpluses produced in the donor countries.

4. Malawi was a recipient of aid, the need of which it recognized. All it wanted was to embark on schemes of agricultural production in the confidence that markets for its products would be found. The difficulties of access to markets and the policies from which they stemmed were nothing. They were referred to, specifically, in paragraphs 22, 24 and 32 of the Preamble to the Final Act of the first session of the United Nations Conference on Trade and Development.⁴¹ The diagnosis had thus been made time and again, and the possible remedies were also known: regulation of primary commodity markets by international agreements, removal in the importing countries of internal taxes and charges on the exports of developing countries, and limitation of uneconomic agricultural production in the temperate and developed countries. However, the difficulties of access to markets had become greater since the first session. An example was provided by the effects of the agricultural policy of EEC and also by the unfortunate long-term consequences of certain policies such as as that on which United States Public Law 480 was based.

5. Again, while the negotiations of the Kennedy Round had resulted in the liberalization of trade in industrial products, they were disappointing for agricultural

⁴¹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 3-9.

countries. Industrial countries which still had a residual agriculture intended to maintain it for reasons which were not only economic but sociological and political. The Conference should now set itself the task of making the developed countries understand that it was no longer appropriate for them to sacrifice economic principles for such social and political considerations. The time had come to carry out, as a sequel to the industrial revolution, a similar revolution in the geographical distribution of agricultural production.

6. Malawi was also closely concerned with other questions to be discussed by the Conference. It welcomed the idea of a generalized system of preferences for manu-

factures and semi-manufactures exported from developing countries to developed countries, even though such a system would not be of immediate benefit to Malawi itself. The Conference should indicate practical guidelines for its achievement. It would, of course, entail a progressive dismantling of preferences granted to developed countries by certain developing countries like Malawi; and if Malawi agreed to do away with preferences which it was at present granting, it would expect in return to receive the assurance that its produce would have improved access to the markets of the developed countries and that the harmful trading policies to which he had referred would at least be restrained.

**Summary of statement made at the 52nd plenary meeting, 9 February 1968,
by Mr. Yeo Beng Poh, Controller, Trade Division, Ministry of Commerce and Industry of Malaysia**

1. Mr. Beng Poh (Malaysia) submitted that the economic and political difficulties currently facing the international community and prompting some to say that UNCTAD had chosen an inopportune time to hold its session should, on the contrary, spur the world community to redouble its efforts to reverse the present trends. The current difficulties were transitory and should in no way prevent the governments of the developing countries from immediately taking political decisions and helping to accelerate the pace of development by their action.

2. The problem, in any case, was not whether to accelerate development but how to do so. The developing countries had outlined the various possible ways of solving the Third World's problems in the Charter of Algiers. Malaysia, for its part, also supported the convergent measures which the Secretary-General of UNCTAD advised developing and developed countries to adopt within the framework of a global development strategy.⁴²

3. As part of that strategy, certain priorities had to be established which logically proceeded from the predominance of primary commodities in the trade of the developing countries, for they accounted for over 90 per cent of those countries' total exports.

4. The international community had already tried to devise rational arrangements for trade in commodities like coffee and cocoa which were mainly produced by developing countries and which did not compete with the developed countries' products; it had also tried to rationalize trade in commodities such as sugar which were exported by developed and developing countries alike; but it had not yet made an adequate attempt to rationalize trade in commodities belonging to a third category — those facing increasing competition from synthetic substitutes — which included natural rubber, cotton, wool, jute, abaca, sisal and coconut oil.

5. The magnitude of the problem could be seen from the example of natural rubber. In six years, its price had fallen by 57 per cent and during that time the fourteen developing countries which produced it had lost a total of more than \$US 4,000 million. Malaysia alone had lost about \$US 1,800 million, or the equivalent of 57 per cent of its gross national product for 1967, or more than six times the amount of net public loans and grants or three-and-a-half times the inflow of private and public long-term capital from 1961 to 1966. What Malaysia had thereby lost in trade had not nor could have been made up by aid.

6. When developing countries complained of competition from synthetics, the stock reply was that scientific progress could not be halted. However, that answer had a hollow ring for the millions whose already inadequate standard of living was being further depressed by synthetics. UNCTAD must not rest content with platitudinous resolutions in that connexion.

7. The developing countries producing that type of primary commodity were also told that they must diversify and restructure their economies. Many had taken that advice, but despite maximum diversification endeavours their economies would continue to depend on the export of primary commodities. In other words, the problem of replacing natural products by synthetics would continue to arise for a long time to come, and an immediate effort must be made to solve it.

8. Furthermore, the developing countries' capacity to diversify was extremely limited, given their narrow resource base, lack of finance and technological backwardness. Conversely, the developed countries were able to diversify very much more easily. The Conference should therefore consider whether the developed countries should not also be asked to diversify their economy in order to help solve the intractable difficulties facing the developing countries. For example, in the case of natural rubber, the difficulties were due to the surplus production capacity of the synthetic rubber industry. The Governments of the developed countries should therefore discourage investment in synthetic production; and in that

⁴² *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6).

connexion he cited a report on natural rubber issued by the Permanent Sub-Committee on Commodities.⁴³

9. The minimum steps which the Conference should take regarding natural rubber would be: first, to endorse the conclusions set forth in the report on the Exploratory Meeting on Rubber held in Geneva in December 1967 (TD/39); secondly, to set up an Action Committee on Rubber forthwith to consider ways to accelerate the

⁴³ "The international organization of commodity trade — case study of natural rubber" submitted by the Secretary-General of UNCTAD (TD/B/C.1/PSC/3, p.57).

implementation of the recommendations made at the close of the Exploratory Meeting (*ibid.*); and, thirdly, to recommend early implementation of appropriate financial measures to compensate natural rubber producers for their serious foreign exchange losses.

10. While Malaysia was particularly interested in trade in natural rubber, that did not mean that it was unmindful of the need to solve the other problems connected with manufactures and semi-manufactures, development financing, shipping and invisible earnings. On those issues, it whole-heartedly endorsed the guidelines contained in the Charter of Algiers and urged developed countries to respond thereto constructively.

**Summary of statement made at the 58th plenary meeting, 14 February 1968,
by Mr. Louis Nègre, Minister of Finance of Mali**

1. Mr. Nègre (Mali) said that it had become commonplace to contrast the wealth of some countries with the poverty of others; to refer to the ever-widening gap between those countries; and to denounce the millions spent on war and prestige projects, such as the conquest of outer space, when vast numbers of people went unclothed and unfed.

2. It was no less commonplace to state that the problems of under-development would never be solved while three Asian countries, comprising more than a quarter of the whole human race, were denied access to UNCTAD—he referred, of course, to the People's Republic of China, the Democratic People's Republic of Korea and the Democratic Republic of Viet-Nam—with which last, in its struggle to protect its integrity and independence, he wished to reaffirm the solidarity of the people of Mali.

3. The Charter of Algiers (TD/38) contained realistic proposals for solving developing countries' problems, but his delegation wished to amplify certain points.

4. The first was food aid, which was being used as a means of exerting political pressure, or even intimidation—with far more corrupting effects for the donor than for the recipient countries. Food aid, to be effective, would have to be made truly international. His delegation therefore suggested that an international agency be set up, under United Nations auspices but distinct from such agencies as the International Red Cross or FAO, to promote a rational distribution of the food surpluses of the rich countries and thus preclude the possibility of a kind of masked competition for markets in certain regions of the world. The agency would work together with the regional co-operation organizations, including, as far as Africa was concerned, the Organization for African Unity, it would have at its disposal a permanent supply of food reserves, stock-piled by means of levies on food and other farming surpluses in the developed countries, under procedures to be agreed.

5. A more important problem was that of land-locked countries, such as Mali where the cost of transit and transport of goods, whether for export or import, between its frontiers and the nearest ports amounted to approxi-

mately 15 per cent of the over-all annual value of its foreign exchange. For that reason, he asked the Conference not to adjourn until it had at least agreed on an outline solution to the problem. At the same time, his delegation proposed that all States enjoying access to the high seas should be invited by the Conference to sign and ratify, by the end of 1968, the Convention on Transit Trade of Land-locked States.

6. The serious handicap imposed upon Mali by its geographical position could only be surmounted by an enormous technical and financial outlay, out of all proportion to the country's limited capacity. Here again the inevitable line of demarcation between developed and developing countries had to be recognized; for example, no significant comparison could be drawn between Mali on the one hand, and Switzerland or Czechoslovakia on the other. A totally new approach was needed, and his delegation therefore requested that a special commission be set up to submit to the Conference before the end of the session, a series of recommendations in respect of those developing countries that had no coast-line. His delegation was ready to make a contribution to the best of its ability.

7. Next came the crucial problem of external indebtedness. It could never be sufficiently emphasized that the developing countries had shown great loyalty and moral probity in that respect, but that their attitude had not been reflected in that of their creditors, the developed countries. Many countries could legitimately have contested the legal validity of debts contracted under the auspices of foreign powers and, for those incurred after independence, have refused to accept the draconian terms imposed by the rich countries. Those debts would, however, be paid; but the developing countries asked their creditors to show a greater spirit of equity and suggested that, during the present Conference, they might decree, first the cancellation of all debts contracted during the colonial period, and second a general moratorium until 1978 on the repayment of debts incurred after independence. UNCTAD should also be requested to establish a realistic repayment programme before the third session of the

Conference, in accordance with the recommendations of the Charter of Algiers and in close collaboration with international financial organizations.

8. The expansion of trade between developing and developed countries and the promotion of a policy of international co-operation were dependent on the reform of the international monetary system. The IMF and the IBRD established over twenty years earlier, at a time when no attention was being paid to the problems of under-development, had evolved according to criteria which were unsuitable for the needs of the developing countries. It was, for instance, unreasonable to apply identical conditions for "stand-by" credits to an important industrial Power and to a poor agricultural country. Nor was it possible for developing countries to find a solution to their financial difficulties in strictly monetary measures such as devaluation, since their exports reacted slowly to such stimulants and it was impossible to restrict imports beyond a certain point. Until the IBRD could be transformed into a Development Bank for the Third World, as suggested in the Charter of Algiers, it would be desirable for it to reorganize its structures and methods of work to enable it to adapt itself to the individual situations of the developing countries.

9. On the other hand, economic co-operation between developing countries, and especially between French-speaking African countries, still left much to be desired.

Tariff barriers had not been lowered even for non-competitive products and the periodic regional meetings almost invariably ended in failure. Efforts towards industrialization had led to the setting up of identical processing industries in many African countries, most of which lacked the commodities to be processed. His delegation considered that economic co-operation between under-developed countries could only bear lasting fruit if it were carried out by partners fully conscious of their rights and obligations and willing to make reciprocal concessions to secure the advantages of joint projects. That co-operation should not be confused with a false type of regional solidarity, a "fraternalism" which could be just as dangerous as paternalism; and even less with an international division of work on a regional or sub-regional basis which would crystallize inequalities inherited from the colonial days and might condemn certain countries to the status of mere markets.

10. The New Delhi Conference should not be a meeting-place of beggars and charitable donors. A statesman had compared the situation with that of 1788. It was true that there were still strongholds to be demolished, privileges to be abolished and a declaration of rights to be drawn up. It was to be hoped that the second session of the Conference would become the States-General of international solidarity, human dignity and fraternity.

**Summary of statement made at the 45th plenary meeting, 6 February 1968,
by Mr. Mohamed Salem Ould M'Khaitirat, Minister of Finance and Commerce of Mauritania**

1. Mr. M'Khaitirat (Mauritania) recalled that the discrepancy between the living standards of the industrialized countries, which were satisfactory, and those of the developing countries, which were extremely low, dated from colonial times and had been greatly accentuated by the fact that the colonized countries had lagged behind in science and technology. No effective measures had yet been adopted to remedy that state of affairs. The colonized countries were no longer subject to political domination, but to an economic domination that was much more serious because of the deterioration in the terms of trade, the instability of commodity prices and the increasingly heavy debt-servicing burden. It was to reduce the tension arising from those injustices that UNCTAD had been set up by the United Nations General Assembly.

2. Following the first session of the Conference in 1964, differences of opinion on major issues still subsisted between developing and industrialized countries. The countries of the Group of 77 had nevertheless persevered in their attempts to change the rules at present governing international economic relations. In the course of multilateral negotiations and the annual meetings of IMF and IBRD, the developing countries had pointed out the injustices in regard to their trade with the more advanced countries and had requested that measures be taken rapidly to redress the balance. The Mauritanian delegation gave its fullest support to the Charter of Algiers and to the

steps taken by the developing countries in the United Nations specialized agencies.

3. Turning to his Government's position on the various issues before the Conference, he said that as far as commodities were concerned, agreements on the major items should be negotiated on a multilateral basis with the help of UNCTAD. Pre-financing of buffer-stocks should be undertaken by the international finance institutions on principles to be agreed upon by producing and consuming countries. The aim of a commodity pricing policy should be to maintain prices at a sufficiently high, stable level.

4. It was likewise important to facilitate the access of products from developing countries to the markets of the industrialized countries by eliminating tariff and non-tariff barriers and, within the context of an international division of labour, to encourage developing countries to produce and export manufactured and semi-finished goods.

5. He recalled that Mauritania was a member of the Inter-State Committee of the Senegal River Basin, and that the Heads of State of the four member countries of that organization were shortly to meet in Monrovia to set up a regional sub-group for economic affairs in which the fourteen States of West Africa could take part.

6. Statistics showed that financial assistance given in the form of donations was no longer enough to compensate for the losses sustained as a result of the deterioration in the terms of trade and in commodity prices.

Moreover, most of the aid given was tied, and often involved unacceptable political strings and economic terms that rendered it ineffective.

7. He expressed satisfaction at the statements made by some heads of delegations concerning the replenishment of the resources of IDA. The African Development Bank

also should be given financial and technical assistance by industrialized countries and international bodies.

8. Mauritania was trying to encourage private investment and had ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

**Summary of statement made at the 47th plenary meeting, 7 February 1968,
by Mr. Plácido García Reynoso, Under-Secretary for Industry and Commerce of Mexico**

1. Mr. García Reynoso (Mexico) said that the economic problems of under-development that UNCTAD had to study were of long standing, but had become more acute owing to the acceleration of the process of decolonization in some developing regions and to the "demonstration effect" which the prosperity of the advanced sector of the international economy exerted on the southern hemisphere.

2. The first session of the Conference had been an opportunity to define the difficulties, to pinpoint the deficiencies of international co-operation machinery in the realms of trade and assistance and to draw attention to the harmful nature of some of the advanced countries' economic policies. Although it had not persuaded the affluent countries to revise their economic policies to the real benefit of the poor countries, it could be said that the establishment of UNCTAD had appreciably changed the nature of relations between the developed world and the peripheral countries.

3. Since UNCTAD's creation, there had been discord and friction among the various groups of member countries. The spirit of goodwill and conciliation which had prevailed had none the less enabled UNCTAD not only to survive despite criticism, but even to become one of the most vigorous and promising United Nations bodies. Thanks to that, the Group of 77 and the industrialized countries had been able gradually to tone down the somewhat heated dialogue they had initiated four years earlier at Geneva and make it more technical.

4. Although trends in the world economy and the economic and financial policies of the two major groups of developed countries had not appreciably changed, many advanced countries were taking a less reserved attitude towards UNCTAD and its goals. The attitude of the majority of the industrialized countries was more positive. Ample discussion of the issues on the Conference's agenda had taken place in intellectual and economic circles in those countries and had resulted in the recommendation that the principles governing the relations between developed countries and developing countries should be adjusted in the light of the latter's needs.

5. The international trade and financial bodies established in the post-war period were currently making serious efforts to adjust their policies and practices to the needs of the less developed countries. That was attested to not only by the close co-operation which had grown up between UNCTAD, on the one hand, and IBRD, the IMF and GATT on the other, but also by

the proposals that those bodies had made for the establishment of new machinery for economic assistance which would make possible multilateral trade negotiations.

6. The various geographic groups of developing countries succeeded in establishing permanent and close contacts among themselves. Hence, the Latin-American countries had been able to set forth in the Charter of Tequendama⁴⁴ the attitude they would adopt at the second session of the Conference and to consolidate that position by subscribing to the Charter of Algiers together with the countries of Asia and Africa. Mexico, for its part, would respect the spirit and the letter of those two documents, which faithfully reflected its political and economic goals.

7. The progress which had been made over the preceding four years towards the solution of development problems was outlined in the main Conference documents, and particularly in documents TD/3/Rev.1 and TD/5/Rev.1.⁴⁵ It should be pointed out that, despite the expansion of international trade reported in the years 1964-1967, the developing countries' over-all situation had continued to deteriorate, that inflows of capital and the terms for international economic aid had been unsatisfactory in view of the developing countries' needs and their capacity for absorbing that aid and that the technological gap between the two major sectors of the world economy had further widened.

8. It was to be hoped that the industrialized countries would be more willing to consider those problems. Interesting and sometimes original suggestions had been made in the Trade and Development Board, in the specialized international organizations and at the Ministerial Meeting of the Group of 77 at Algiers. At the present session, therefore, the pre-negotiation and negotiation stages should be quickly reached on negotiable matters. In a word, attention should be focused on what the Trade and Development Board had at its fifth session called "points of crystallization".⁴⁶ He cited fifteen such points, while remarking that the Charter of Algiers drew

⁴⁴ Adopted by the *Ad Hoc* Committee on Latin American Co-ordination at its Fourth Meeting at the Expert Level, Bogotá, Colombia, 25-30 September 1967.

⁴⁵ *Review of International Trade and Development, 1967* (United Nations publication, Sales No.: E.68.II.D.4).

⁴⁶ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, paras. 30 and 31.

attention to almost 100 proposals. The most urgent problems could be grouped into eight headings, i.e. (i) the financing of buffer-stocks with a view to stabilizing commodity prices, the conclusion of a cocoa agreement, continuation of the sugar negotiations and regulation of disposals of surplus raw materials and foods-stuffs by developed countries; (ii) application of a general system of non-reciprocal preferences for the developing countries' manufactures and semi-manufactures, the progressive elimination of quantitative restrictions imposed by the industrialized countries on exports of manufactures from the developing countries; (iii) the granting by the socialist countries of preferential treatment to the developing countries' products and the multilateralization of trade and payments agreements between developing countries and socialist countries; (iv) the setting up of assistance machinery to increase the developing countries' sales of products in the developed countries' markets; (v) the establishment of formulae for lowering the cost of the transfer of technology; (vi) the replenishment of IDA resources and adjustment of interest rates and the terms of multilateral and bilateral public foreign aid to fit the developing countries' possibilities for meeting the cost of servicing their foreign debts, continuation of negotiations for the establishment of a multilateral interest equalization fund, negotiation of the supplementary financing programme proposed by IBRD and the partial freeing of tied aid; (vii) the conclusion of agreements on the elimination of discriminatory practices directed against the developing countries in the fields of shipping and financial services such as insurance and re-insurance; (viii) the working out of formulae for channeling more multilateral and bilateral aid to regional economic groups of developing countries. It would be of great help to the developing countries if those urgent problems were

solved; even the countries which had already made some headway in development would benefit thereby.

9. That would be the case with Mexico, for example, which, thanks to a climate of monetary stability and to a dynamic social policy, had for the past twenty years succeeded in maintaining a 6 per cent annual rate of growth of its gross national product. The vanguard sectors of its economy had grown at an average annual rate of more than 10 per cent and its manufacturing industries currently accounted for slightly more than a quarter of the national product. Its agricultural sector had developed at one of the most rapid paces in Latin America, so that Mexico, which had been importing some food-stuffs only ten years earlier, had become a net exporter of agricultural products. Exports were becoming increasingly diversified, both with respect to markets and to commodities. The stability of the Mexican peso had facilitated access to international financial markets and attracted considerable private foreign investment in the framework of a policy encouraging the establishment of mixed capital undertakings.

10. Mexico had a development programme for 1966-1970 whose target for the annual growth of the national product was 6.5 per cent. It was aware that its development potential was contingent on its own efforts and the support it could obtain from the new international systems of economic and financial co-operation which UNCTAD was seeking to establish. Since its inception, UNCTAD had shown that it was the appropriate body for seeking a solution to the problems of under-development. For that reason, Mexico had always supported it and had actively participated in its work. For that reason also, it sincerely hoped that the Second Conference would be crowned with success.

**Summary of statement made at the 51st plenary meeting, 9 February 1968,
by Mr. M. Dorjgotov, Minister for Foreign Trade of Mongolia**

1. Mr. Dorjgotov (Mongolia) said that the first session of the United Nations Conference on Trade and Development had proved to be an effective means for accelerating economic and social progress, on the basis of the principle of peaceful co-existence between States with different political and economic systems. One of the greatest achievements of the first session had been that it had adopted recommendations⁴⁷ on the basic principles that should govern trade relations and trade policies, reflecting the political, economic and social changes which had taken place in the world since the Second World War as a result of the strengthening of the socialist system and the disintegration of colonialism. The task of the second session was to develop those basic principles and to take practical steps aimed at normalizing international trade and economic relations.

2. No substantial improvements had occurred since the first session of the Conference in trade relations between the developing and the capitalist countries, nor in East-West trade. The share of developing countries in world trade had declined; prices of raw materials had fallen, while those of the industrial goods imported by developing countries had risen. The balance-of-payments difficulties and the indebtedness of developing countries had increased. That situation had come about because the power élites in the developed capitalist countries were unwilling to collaborate on a basis of equality with the developing countries, but were determined to hang on to the key positions they held in the economies of those countries. They also practised discrimination against the socialist countries, erecting artificial barriers to trade and refusing to extend the most-favoured-nation principle to East-West trade.

3. One of the most serious obstacles to the normalization of international trade relations was the growing tension created by the imperialist war being waged by the United States of America against the Viet-Nameese people.

⁴⁷ *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

Its policy of violence, blackmail and violation of the territorial integrity of other countries stultified any serious attempt to expand international trade and establish it on a sound basis.

4. The Mongolian delegation attached great importance to the Charter of Algiers (TD/38), and hoped that the Conference would give serious consideration to the developing countries, proposals concerning the stabilization of commodity prices, the establishment of a system of preferences to promote their exports of manufactures and semi-manufactures, improvement of the terms of financial aid, and other problems. It also fully supported the demand that international agreements for the most important commodities should be concluded as early as possible.

5. Many years of co-operation between the developing and the socialist countries had shown that the aid provided by the latter was not based on one-sided interest, but on the principle of goodwill and solidarity and the strengthening of economic independence. It thus differed fundamentally from the so-called aid provided by the former colonial Powers, who were responsible for the economic backwardness of the young emerging countries.

6. Mongolia's own experience of development had shown the decisive importance for development of far-reaching transformations in the economic and social structure in the country concerned and the maximum mobilization of its internal resources.

7. The Mongolian People's Republic, which had passed straight from feudalism to socialism, omitting the capitalist stage, had initially experienced the same overwhelming difficulties encountered by many developing countries. Mongolia had already developed from a backward cattle-breeding country to an agrarian-industrial economy. Mongolian industry now produced in one month the same volume of products as had been produced in the whole of the year 1940; ninety new industrial plants and ten large, highly mechanized livestock farms had been set up during the past five years. Mongolia had not only become self-supporting in cereals but was now able to export them.

That development had been made possible by the aid and co-operation of other socialist countries — in particular, the USSR — and by Mongolia's membership of the CMEA.

8. A fundamental change had taken place in the structure of Mongolia's exports, which had formerly consisted entirely of unprocessed livestock products, whereas at the present time manufactures and semi-manufactures accounted for about half. Under the fourth five-year plan, now in progress, Mongolia would become more of an industrial than an agricultural country.

9. The Mongolian delegation regarded UNCTAD as the most representative organ of the United Nations General Assembly for discussing the policies and actions of States relating to trade and development at the world level; its structure and activities should correspond to that role. UNCTAD's influence and effectiveness were severely damaged by its lack of universality — in particular, the continued exclusion of the German Democratic Republic, which already had trade relations with most of the countries represented at the Conference and which provided considerable economic and technical assistance to many developing countries.

10. At the sessions of the Trade and Development Board, attempts had been made to revise important Conference decisions, to reduce the scope of UNCTAD's activities and to transfer some of its functions to other bodies. His delegation could not agree to such proposals and supported the further strengthening of UNCTAD's functions. The Board and secretariat should intensify their activities, organize international seminars and symposia on trade and development questions and collaborate more closely with other specialized institutions and with the United Nations regional economic commissions.

11. He hoped that all those participating in the Conference would show goodwill and a spirit of mutual understanding in dealing with the problems of international trade and economic relations which were urgently awaiting solution.

Summary of statement made at the 50th plenary meeting, 8 February 1968, by Mr. Abdelwahad Laraki, Secretary of State to the Prime Minister, in charge of the economic affairs of Morocco

1. Mr. Laraki (Morocco) recalled the reasons that had led the first session of the Conference to decide that there was a need for concerted action on economic problems at the international level and to define the aims of a new policy capable of protecting the fragile economies of the developing countries and of guaranteeing them a reasonable rate of growth.

2. But the recommendations of the first session on measures to attain those ends had not been whole-heartedly adopted by all countries, and the theoretical disagreement expressed at the time had later been translated into facts, so that nearly four years after the first session the world trade situation still favoured the industrialized countries, and there was no sign that any progress would be made towards striking a balance between the rich and the poor

nations; indeed, the economic strength of the latter seemed to be on the decline. If vigorous remedies were not found promptly, that situation might constitute a serious threat for the international community, as well-informed international figures, including the Secretary-General of UNCTAD, had pointed out.

3. He listed the fields in which the position of the developing countries was deteriorating, and stressed that the greatest effort was in fact needed from the developing countries themselves: they should take concrete, realistic action based on rational use of their resources. In that connexion he mentioned Morocco's efforts to develop its agriculture so as not only to feed its population, which was growing at the rate of approximately 3 per cent a year, but to provide increasingly large surpluses for export as well

4. But although Morocco had grasped the need to consider agriculture as the top priority in its economy, it was not neglecting other sectors. It was, for example, developing tourism, so as to increase its income from invisibles, as well as industry; it was seeking to put its own resources to the best account and to find substitutes for imports.

5. However, Morocco was finding difficulties because of lack of financial resources, deterioration in the terms of trade and the increased competition its products were meeting in the traditional markets, especially in Europe. The recommendations in the Final Act of the first session of the Conference⁴⁸ should have solved those problems; but unfortunately they had never been properly implemented. Nevertheless, thanks to UNCTAD the idea of world solidarity for economic development had slowly come to be recognized; an awareness had grown of the industrialized countries' responsibility for the economic progress of the under-developed countries, and the advantage that the former could derive from fighting under-development and helping the peoples of the developing countries to attain the benefits of cultural, scientific and technological progress.

6. It was to be noted that there were in fact two series of discrepancies: those between the developed and the undeveloped countries and those among the undeveloped countries themselves. But it was the divergencies of interest between the advanced and the backward countries that were primarily responsible for the situation where almost four years after the first session of the Conference no concrete measures had been taken. In certain cases, even, the advanced countries had tried to solve their own problems to the detriment of the interests of the developing countries. Thus, the concerted agricultural policy of EEC had had disastrous consequences for Moroccan exports to countries members of that organization. At best, during the Kennedy Round negotiations, for example, the developed countries had made progress towards a solution of their problems without showing any practical concern for the interests of the peripheral countries.

7. The time had therefore come to take stock of the position. Since the first session of the Conference a certain number of problems had come to a head, and instead of waiting in vain for the moment when a comprehensive solution would be possible, it would be better to solve specific problems one by one, as and when solutions acceptable to all parties concerned could be worked out. Thus an inventory should be made of the questions on which agreement could be reached at the present time, given good will, reciprocal concessions and the adoption of a realistic view of the situation.

8. He described the measures taken by his country to make the best of its export products and explained the role of the Marketing and Export Office which was not only concerned with commodities from the production stage until their sale in foreign markets, but also influenced production through the guidance it gave and the granting

of credits and technical assistance. Above all, it ensured that foreign currency receipts came back into the country in their entirety, which had not been the case when exports were in the hands of the private sector.

9. Despite the fact that Morocco was finding access to its traditional markets increasingly difficult, it had undertaken a bold and dynamic trade policy based on the principle of the liberalization of its trade. To that end it had introduced new regulations which safeguarded the equilibrium of its balance of payments and provided salutary protection for Morocco's budding industry and agricultural products so as to promote their dynamic development. As a result, in less than a year more than half the foreign trade of Morocco had been liberalized.

10. At the same time, Morocco had considerably increased the number of its trading partners. In that connexion, the growing share of the socialist planned-economy countries in Morocco's foreign trade should be stressed. For some two years past, for example, the Soviet Union had alone absorbed one-fifth of his country's production of citrus fruits: the quantities it had bought had risen from 40,000 tons in 1965 to 130,000 tons in 1967, in spite of the distances and transport difficulties.

11. But the under-developed countries must also strive to extend their trade among themselves. It was true that for a long time they would continue to exchange their agricultural and mineral products for the capital equipment and certain manufactured articles which only the developed countries could supply. But they should not neglect the trade they could carry on among themselves; that could provide a contribution that was not to be disdained and a stimulus for certain budding industries which needed an outlet to compensate for the small size of their home market. Obviously, such trade tended to be organized on a regional basis, as was the case between Morocco and its fellow countries of the Maghreb. But Morocco was trying in addition to develop its trade relations with the rest of Africa, although it had recently suffered a serious setback in that field as a result of the association agreements concluded between certain African countries and the EEC, to all intents and purposes closing the markets of those countries to Morocco because of the tariff privileges accorded to the countries of the Community.

12. In principle, Morocco would like to see the same advantages granted in conditions of equality and without discrimination to all under-developed countries. But so long as that principle of equality was not accepted by the developed countries, each developing country would have to try to solve its own peculiar problems with its own trade partners. With that in mind, and to keep the advantages it had gained, Morocco was seeking an agreement with the EEC, without which its foreign trade and consequently its whole economy would suffer serious harm.

13. Another problem facing the developing countries was due to the fact that the aid received from the rich countries was being whittled down year by year. The drying up of foreign aid was becoming more serious since debt-servicing, capital and interest, was absorbing about two-thirds of new aid for the developing countries as a whole. The time was in fact approaching when new

⁴⁸ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

aid would hardly cover repayments. That was why it was imperative to increase such foreign aid considerably, especially multilateral aid. To do so, increased resources for international bodies such as IBRD and IDA, whose financial means were altogether inadequate, must be sought.

14. The second session of the Conference should initiate specific negotiations which would lead to constructive solutions to the problems facing the developing countries. In every case, the Moroccan delegation would give its whole-hearted support to a consideration of the Charter of Algiers. In particular, it had the following aims in view: first, stable, remunerative and fair prices, should be achieved, protected from wild fluctuations which were harmful to the economies of the countries concerned, and equalization funds essential for the implementation of

such agreements should be established. Secondly, all tariff and quantitative barriers should be abolished; and, finally, a satisfactory solution should be found to ensure at last the application of the principle of preferences to the developing countries, taking into account the level of development attained by each individual country.

15. In any case, specific agreements, even though limited, were preferable to marking time, as had been the rule over the last few years. Agreements must be hammered out for a realistic advance which would fully recognize the interests of all participants. The Moroccan delegation was convinced that circumstances were favourable to such an undertaking and that, if antagonisms could be laid aside, the Conference could help to lighten the burden of sickness, ignorance and hunger which was the lot of two-thirds of mankind.

**Summary of statement made at the 57th plenary meeting, 13 February 1968,
by Mr. Gunjeswari Prasad Singh, Minister of Commerce and Industry of Nepal**

1. Mr. Prasad Singh (Nepal) noted that the four years which had elapsed since the first session of the United Nations Conference on Trade and Development had, unfortunately, seen no solution to the problem of the trade and development of the developing countries. That problem had grown worse still, as the United Nations Development Decade was turning out to be nothing more than a "decade of frustration and disillusionment".

2. The majority of the developing countries had failed to achieve the minimum annual growth rate of 5 per cent and the gap had widened not only between the haves and have-nots, but even among the latter countries themselves.

3. The share of the developing countries in world trade had fallen from 27 per cent in 1953 to 19.3 per cent and fluctuations in the export price of primary commodities had continued unabated. The exports of manufactures and semi-manufactures from the developing countries to the developed ones was still confronted by tariff and non-tariff barriers. The transfer of resources to the developing countries had fallen far short of the target figure of 1 per cent. The debt-service problem of the developing countries was becoming increasingly serious, so that a large part of the financial aid was likely to be neutralized by the instalment payments on debts contracted earlier.

4. No measure had been taken to solve the difficulties in the field of shipping, particularly for the small land-locked developing countries. A solution to that problem was becoming more and more urgent in the case of countries such as Nepal, for which the ever-increasing freight rates and the cost of transport to the nearest sea port were a serious handicap to the expansion of their international trade and their economic development. The Nepalese delegation hoped that the second session of the Conference would draw up specific measures to alleviate the burden of land-locked countries. Although the Convention on Transit Trade of Land-locked States had come into force in June 1967, it had been ratified only

by the minimum necessary number of countries. He appealed to coastal countries not to formulate reservations when ratifying or acceding to that Convention.

5. He stressed the extreme importance of the Charter of Algiers which expressed the aspirations of the developing countries and their desire for economic emancipation. The Nepalese delegation hoped that the second session of the Conference would not be viewed as a battleground between two groups of countries, but as a forum for the study of the problems of the time and the best means of solving them.

6. He wished to reiterate his country's faith in the United Nations. Nepal was grateful to friendly countries and organizations which had helped it to transform its economy. The current national plan of economic and social development marked a crucial stage in the strategy of development that had been under way since 1961. The international assistance which the agricultural sector had been receiving was being complemented by the Government's efforts to increase domestic production. A vigorous land reform programme which had been launched in the seventy-five districts of the Kingdom included, *inter alia*, a provision for compulsory savings. However, in spite of the high priority given to agricultural development and the mobilization of national effort, the slow growth so far attained prevented the achievement of the modest target aimed at in the Development Decade.

7. Agriculture and manufacturing industries were receiving constant attention in his country's national planning. Credits representing 57 per cent of the total outlay in the public sector had been set aside for industrial development in the private sector. The main difficulties which Nepal encountered in the field of industrialization were due to the limited size of the domestic market, paucity of capital and lack of skilled man-power and technical know-how. They were aggravated by the fact that goods produced by countries like Nepal, which were at an early stage of industrialization, were unavoidably not comparable from the point of view of quality and

price with goods produced in countries which had attained a relatively advanced stage of industrial development. That was why importing countries should extend a liberal policy to the less developed countries and thereby facilitate an outlet for their products.

8. In the field of trade, Nepal was faced by the difficulties common to relatively undeveloped countries and those difficulties were increased by the fact that the country was land-locked. Obviously, Nepal must diversify its trade both commodity-wise and geographically so as to acquire

the foreign exchange for which it felt an ever-increasing need for the import of industrial raw materials, capital goods and certain vital consumer items.

9. The Nepalese delegation was afraid that there was not sufficient awareness of the fact that the land-locked nature of a country imposed heavy burdens on a developing economy. Therefore, it welcomed the recommendation of the Secretary-General of UNCTAD that unstinted technical and financial co-operation should be offered to the relatively less developed and the land-locked countries.

**Summary of statement made at the 41st plenary meeting, 5 February 1968,
by Mr. L. de Block, Minister for Economic Affairs of the Netherlands**

1. Mr. de Block (Netherlands) said that the documents prepared by the secretariat for the Conference were of outstanding quality but that none of them would be so much in the centre of the debates as the Charter of Algiers. That was because the Charter was a political document, the expression of common political will of a large group of independent nations known as the Group of 77.

2. His Government subscribed to the statement contained in the Charter, according to which the gravity of the problem called for the urgent adoption of a global strategy for development requiring convergent measures on the part of both developed and developing countries. It had on several occasions advocated the formulation of a strategy for development. The Conference might contribute to the formulation of such a strategy by creating awareness of the interrelatedness of the various measures proposed, so as to prevent the adoption of conflicting measures that could not be incorporated harmoniously within a coherent strategy.

3. Another aspect of the global strategy for development which was brought out in the Charter of Algiers concerned the list of priorities. That question had been debated at length at the Trade and Development Board's fifth session when his delegation had strongly advocated the establishment of such a list. Although a list of priorities had not been formally agreed upon, the President's summing up set forth those Conference agenda items which, generally speaking, it had been considered should receive priority. The Conference should take those items into consideration in the coming weeks.

4. In that connexion, it should pay special attention to measures for the stabilization of commodity prices, especially in the field of financing of buffer-stocks. In that respect, his delegation hoped that the United Nations Cocoa Conference would soon be able to resume its work. For its part, it was ready to resume negotiations at the earliest possible date. It also hoped that the present session of the Conference would be able to find a basis for the conclusion of other agreements, so that commodity export earnings would gradually become the basis for long-term development planning.

5. The world food problem was also of capital importance. His delegation felt that, in order to solve that problem, an effort would have to be made, above all, to

increase the food production of the developing countries themselves. To that end, concerted and intensified technical aid by the developed countries and increased efforts by the developing countries themselves were essential. Clearly, so long as that problem remained unsolved, food aid would have to continue. Such aid should be considered as temporary and should not give rise to a planned surplus production on the part of the developed countries. Preferential entry of exports of manufactures from developing countries was one of the questions which the Netherlands had proposed at the Board's fifth session should be given priority. His Government, which for many years had been advocating the granting of preferences to the developing countries, was gratified by the outcome of the meeting of the OECD Council, held at ministerial level in November/December 1967.⁴⁹ On the basis of the agreement reached between the developed countries, it would be possible to elaborate a system which would give the developing countries fresh outlets to the markets of the developed countries. His delegation hoped that the Conference would lay down guidelines with a view to the elaboration of such a preferential system. Many of the issues connected with the working of that system, such as that concerning the reciprocal preferences enjoyed by the developing countries or the developed countries on a regional basis, had not yet been settled. His own delegation would prefer a system in which preferences could eventually be absorbed, thus avoiding a further fragmentation of world trade. That idea seemed to have been accepted in the Charter of Algiers.

6. With regard to the promotion of trade, his delegation welcomed the establishment of the joint UNCTAD/GATT International Trade Centre.

7. The vitally important question of trade expansion and economic integration among developing countries had also been studied in the Charter of Algiers. His delegation noted with satisfaction that the developing countries proposed to inform the Conference of the efforts they were making or planning to make, in order to increase their trade and strengthen their economic co-operation. Supplementary financing was also included among the priority questions. The question of the replenishment of

⁴⁹ For the statement issued by the Council, see *The OECD Observer*, No. 31, December 1967.

IDA resources should, in the view of his delegation, be accorded a high level of priority. Assuming that the replenishment of IDA resources was decided upon in the very near future, the Conference might reach agreement, in principle, on measures intended to supplement basic financial aid.

8. Finally, with reference to the broad subject of growth, development finance and aid, his delegation welcomed the progress made in that field, in particular the Agreed Statement on Problems of Development adopted by the Committee on Invisibles and Financing related to Trade at its second session,⁵⁰ which might well

⁵⁰ See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 3, annex II.*

become the corner-stone of future global development strategy.

9. With regard to the volume of development aid to be provided by the industrialized countries in order to supplement the mobilization of the internal resources of the developing countries, his delegation recognized that the present volume would not enable the targets of the United Nations Development Decade to be reached. Accordingly, the Netherlands Government had decided that by 1971, the public credits to be set aside for such aid should represent 1 per cent of the country's net national product. Lastly, in accordance with the wishes of the Netherlands people, his delegation would endeavour to make a positive contribution to the success of the Conference.

**Summary of statement made at the 67th plenary meeting, 18 March 1968,
by Mr. B. J. Udink, Minister in Charge of Development Aid of the Netherlands**

1. Mr. Udink (Netherlands) deplored the fact that the Press, television and official spokesmen seemed to be conspiring to create an atmosphere of pessimism and discouragement around the second session of the Conference, in which all mankind had placed great hopes.

2. The object of the New Delhi Conference was to make headway through the combined efforts of all the participants, rather than to take decisions binding on Governments. In that respect, UNCTAD was no different from the other United Nations bodies. It was part of the world-wide structure of co-operation, exchanges of views and concerted thinking, in which no binding decisions were taken but in which recommendations were made to Governments and international organizations.

3. It was incontestable that genuine progress had been made. If it was true that the developing countries' growth during the past six years had been inadequate, it had none the less been real and had reached an average rate of 4.9 per cent. Some countries had made little progress, but other having a population of approximately 1,000 million inhabitants had achieved an average growth rate of 6 per cent.

4. The Conference was in process of establishing an international structure for development policy in the context of a global strategy designed to make the targets specific. Needs were at present being discussed without knowledge of their scope. The 1 per cent of national income which the Netherlands had fixed as its target for official flow of funds was based on an assumption, not on precise knowledge. The international structure in question, its guiding principles and its strategy would have to be worked out before the opening of the next United Nations Development Decade — in other words, within three years. The international structure should enter into the second Development Decade on the basis of contractual undertakings, for a strategy without commitments had no real meaning.

5. A few months earlier, the United Nations General Assembly in resolution 2305 (XXII) had requested

UNCTAD to participate in drafting a development strategy for 1970-1980. UNCTAD should respond whole-heartedly to that invitation and instruct its Trade and Development Board to prepare its contribution to that world-wide effort. The Board, at a ministerial meeting in 1969, could take the final decisions on UNCTAD's contribution to preparations for the second Development Decade. The new form of international co-operation should be based on concerted efforts leading to convergent measures by the developing countries and the developed countries.

6. Reviewing the work of the Conference, he said that with regard to commodities, agreement should be reached on a programme of work for conferences, meetings and other consultations to be convened on the various commodities with a view to ensuring stable markets for those of special interest to the developing countries. The United Nations Sugar Conference had been convened for 17 April, and all countries should take the necessary steps to ensure its success. The United Nations Cocoa Conference should be reconvened as soon as possible. With regard to oil-seeds and fats, studies concerning short-term measures were under way. The competent body of FAO had, he understood, been invited to make proposals for longer-term arrangements. The programme of work for rubber, hard fibres and jute did not seem to raise any major difficulties. For a number of other products of interest to the developing countries, agreement on a programme of work hinged only on a few drafting improvements. The Secretary-General of UNCTAD should therefore be able to arrange a calendar of meetings accordingly.

7. Nor should it be impossible to reach agreement on buffer-stocks. The Netherlands was of the opinion that those stocks should be given the greatest possible flexibility of intervention in the market and it was prepared to study, on a commodity-by-commodity basis, what such flexibility should involve and whether action on the futures market by those stocks would be acceptable. With regard to the prefinancing of such stocks, the

Netherlands would be willing to make its contribution in the case of cocoa. He hoped that the studies now being made by IMF and IBRD would make it easier to find a solution to the problem. Other forms of pre-financing were possible, such as voluntary contributions by Governments. The regular income from buffer-stocks should be provided through mechanisms which would function in a manner equitable to all parties concerned and which would not impose an excessive burden on developing countries.

8. The need for horizontal as well as vertical diversification of the economies of the developing countries was now generally recognized. At the same time, within the context of convergent action, it was imperative that the developed countries should adapt their economies to the new circumstances of international trade and of the international division of labour. In the Netherlands, studies had been initiated at the Government's request on the economic and social adaptation of the country's economy to those new circumstances.

9. One of the most important issues facing the Conference with respect to commodities was that of access to markets. The Netherlands was willing to seek ways of reducing barriers to trade and consumption affecting the exports of developing countries even though it recognized that in the long-run that might have repercussions on the domestic policies of the developed countries which the latter would have to accept. The effort to reduce those barriers should be made within the appropriate international organizations.

10. With regard to pricing policy, the primary objective should be to achieve the highest possible export earnings for commodities so that the developing producer countries would have a sufficient margin of remuneration to enable them to increase their productivity and maintain fair labour standards, while acquiring the resources needed for their development. Naturally, that policy should also take the interests of the consumers into account.

11. He had noted with satisfaction the work done in connexion with the world food problem and he hoped that agreement would be reached on the declaration on the matter.

12. From the outset, intense interest had focused on the question of preferences. The developing countries maintained that the success or failure of the Conference would depend on whether processed agricultural products

were included in a generalized system of preferences. He did not think there was any insurmountable difficulty on that score, for it was increasingly recognized that a system of preferences which did not give wide coverage to processed tropical agricultural products would be of only slight benefit to the developing countries. However, to each of the three categories in question — industrial manufactures and semi-manufactures and processed and semi-processed agricultural products of the tropical and the temperate zones — it would be essential to apply different criteria, which should be defined by the permanent machinery of UNCTAD and adopted in 1969 at a special session of the Board at the ministerial level.

13. With regard to the possibility of a general agreement on reverse preferences, he observed that although the positions of different groups of delegations would be difficult to reconcile, it should be possible to adopt before the end of the session a formula which would open the way to a lasting solution. That formula based on the text which the Group of 77 had submitted to the Second Committee (TD/88 and Corr.1 and 3 annex I), might consist of the phasing out of reverse preferences over a certain period — five years as proposed by the group — starting from the date of the entry into force of the preference system.

14. As to volume of aid, his preference would be for maintaining for the 1970s the target of 1 per cent of gross national product fixed at the first session of the Conference, provided that it was actually fulfilled. If there was general agreement on that point, the idea of net transfer of resources could be dropped. The total aid effort which each country could make, the flow of funds both public and private, were matters which concerned Governments.

15. His delegation wished to reaffirm its support for the concept of supplementary financing. As that concept had now been clearly defined, the Conference should consider the possibility of translating it into precise but flexible proposals for practical action.

16. The hurdle of principles should not become a stumbling block. In 1964 the Board had been asked to consider that question further. As it had not yet been solved, it was incumbent on the Board to pursue its efforts in the light of the results achieved at the second session of the Conference so that a common doctrine could gradually be evolved which would become part and parcel of the global strategy towards which all member countries looked.

**Summary of statement made at the 49th plenary meeting, 8 February 1968,
by Mr. B. E. Talboys, Minister of Agriculture and Minister of Science of New Zealand**

1. Mr. Talboys (New Zealand) conveyed to the Conference a message from the Government of Western Samoa, which expressed sincere regret at its inability to be represented at the second session of the Conference. The New Zealand delegation would be reporting to the Samoan Government on the outcome of the session.

2. The tasks of the Conference were immense, and it was necessary to assess the situation realistically and concentrate on the most urgent problems.

3. While many developing countries had made significant strides in economic development, the rate of expansion as a whole was disappointingly low. It was necessary

to formulate coherent trade policies involving the collaboration of the whole international community.

4. Although many countries had exchanged substantial tariff concessions in the Kennedy Round, it was mainly the industrialized countries which had benefited from the negotiations. Other countries including New Zealand, which relied essentially upon trade in primary commodities, had gained little. In spite of the prominent role played by his country in the group set up during the Kennedy Round to consider the question of trade in dairy products, it had not yet succeeded in achieving fair international trading conditions. As the representative of the United States of America had observed at the forty-first meeting, the protectionist impulse was always strong. Care should be taken to avoid trade policies that departed from the principle of comparative advantage, and that applied to meat, dairy products, grains or industrial products. The situation of trade in dairy products was deteriorating at present and the fault lay with several industrialized countries which failed to liberalize trade in commodities, and did not agree on measures to stabilize prices of those products. New Zealand was therefore compelled to restrict its imports, and its capacity to assist the developing countries was considerably limited as a result. Like the United Kingdom representative (43rd meeting) he thought that the problem consisted essentially in developing commodity trade at remunerative and relatively stable prices. New Zealand knew by experience how difficult it was to maintain a steady rate of development when the principal export products were subject to violent price fluctuations on international markets and, in addition, to changing access to markets. New Zealand could thus fully appreciate the difficulties faced by the developing countries.

5. Given the market incentives, New Zealand could increase its production, particularly of food, and in that way help the under-developed countries for which food aid was always an important factor. It would continue to extend all kinds of aid to the developing countries. In 1966-1967, while its export receipts for wool (which normally accounted for a quarter of its export income) had fallen by 50 per cent, New Zealand had nevertheless increased its total aid to the developing countries by more than 20 per cent. Real progress could be made with regard to food aid only if the major producers and consumers of food would agree to liberalize trade. The situation would then immediately improve.

6. On the question of synthetics, which had been referred to by the developing countries in the Charter of Algiers, he considered that there was a need to carry out research in the use of natural raw materials. Through

the International Wool Secretariat, New Zealand and other wool-producers had contributed considerable sums to research in processing and market promotion. The research had been financed by a levy on the wool producers themselves. The producers of other raw materials or commodities should follow that example to encourage research. Such a system would be preferable to a levy on the producers of synthetics.

7. Regarding preferences, he said he understood why the developing countries desired to see introduced a generalized scheme of preferences on a non-discriminatory and non-reciprocal basis for their manufactures and semi-manufactures. New Zealand, however, which was still at the early stage of its industrial development, would find it extremely difficult to implement a generalized system of preferences at present. Such a system would hold unfavourable implications for the preferences offered by New Zealand to its Commonwealth partners and to a number of its less developed neighbours in the Pacific. Nevertheless, provided that adequate allowance could be made to take account of those obligations, New Zealand was willing to consider participating in a preferences scheme to benefit the manufactures and semi-manufactures of developing countries. The volume of trade between the developing countries and New Zealand was already significant, and there was a two to one balance of trade in favour of the developing countries. There were nil or low tariffs and no internal taxes on primary commodities imported from the developing countries. A number of items enjoyed complete or near duty-free entry. Currently 40 per cent of New Zealand's imports were exempted from licensing. Further products would be exempted as soon as economic conditions permitted, and that would offer new opportunities to the developing countries. The New Zealand Government aimed progressively to abolish all quantitative restrictions on imports.

8. On the question of trade promotion, his country welcome the decision to set up a joint UNCTAD/GATT International Trade Centre. It had already given some assistance in trade promotion through the GATT International Trade Centre and would continue its efforts in that field.

9. New Zealand shared the concern of the developing countries at their indebtedness. Although practically all its aid had been provided on a grant basis, New Zealand considered that the matter deserved urgent attention. Reviewing the more urgent problems facing the developing countries, he stressed the points which distinguished New Zealand from industrialized countries. New Zealand had in fact always argued against classifying countries as either developed or developing. That division ignored the very real differences that existed within groups.

**Summary of statement made at the 64th plenary meeting, 22 February 1968, by Mr. Jean Poisson,
Director of Economic Affairs at the Ministry of Economic Affairs, Trade and Industry of Niger**

1. Mr. Poisson (Niger) was sorry to have to note, with many delegations, that, four years after the first session of the United Nations Conference on Trade and Development, the developing countries were, generally speaking

in a less favourable position than in 1964. In the commodity sector, the typically tropical products continued to suffer from poor market organization, and allied products or those which replace products from the temperate or

sub-tropical zones of the developed countries were facing growing difficulties, for example on the cotton and oil markets.

2. The Kennedy Round had been extremely disappointing as regards international trade for the non-industrialized countries, which had been advised to develop their domestic trade — a sound enough suggestion when incorporated in a series of recommendations, but no panacea by itself. And development financing trends had also been unfavourable, as was shown by, among other revealing facts, the difficulties experienced in reconstituting the resources of IDA. Those facts showed the reluctance of the countries providing capital to increase their contributions, or even to keep them at the same level. Moreover, on account of the measures adopted to restore the position of the two world reserve currencies, investment prospects were thinning out and interest rates were rising, even in the case of the international financial agencies.

3. To break the deadlock, the Conference should adopt measures which could be applied immediately. His delegation regarded the Charter of Algiers as a framework within which UNCTAD's efforts since 1964 could finally begin to take practical shape.

4. One of the points in the Charter deserving priority, in his view, was the problem of commodities. It should, in accordance with the Algiers recommendations, be solved by international agreements negotiated on a commodity basis, broadly interpreted; in other words, account should be taken where necessary of a group of commodities ranging from the semi-finished to the allied product or perfect substitute. For example, it was at present impossible to differentiate the various oils, apart from olive oil. The time-table for the negotiations designed to produce those agreements should observe the priorities already adopted by the Group of 77, since negotiations on more than one product could proceed simultaneously; there was no need to await the conclusion of the cocoa agreement before beginning to negotiate the sugar agreement. The main purpose of the agreements should be to arrive at a revaluation of prices whereby to establish a fixed relationship between the developing countries' commodity prices and those of manufactures exported by the industrialized countries.

5. His delegation was aware of the intrinsic difficulties in organizing any market, such as the sugar market. But even if it were not possible to achieve a global agreement at the outset, a series of partial measures could be adopted which would be of immediate value to the States concerned and cover the gap until final agreements emerged. The Conference should therefore recommend that, when negotiations on a given product were marking time, an effort should at least be made to find points of agreement permitting initial action on the commodity market concerned. For example, there could at least be agreement on provisions to ensure smoother market operations as regards formation, recording of transactions, and combating speculative manoeuvres in price-fixing. There could also be agreement on general consultative procedures regarding the marketing of the industrialized countries' commodity surpluses and stocks. Again, arrangements could also be concluded to ensure the maintenance of the relative position of the developing countries' exports,

with special regard to those allied products in competition with products of the temperate zone. The results of those partial measures would, of course, while limited, be at least tangible, and would encourage a permanent dialogue between the countries concerned, thus promoting a resumption of general negotiations that would alone end the process of worsening terms of trade.

6. Many delegations considered that the problem of preferences was as important as the commodity problem: but his own delegation thought that, unlike the latter, the former could be solved by applying simple general rules. The Charter of Algiers embodied the principle of the abolition of preferences for commodities, subject to prior definition of the compensation to be granted to developing countries at present enjoying certain preferences. Thus all that remained to be done was to establish the necessary compensation machinery, designed primarily on behalf of the least-developed countries.

7. Turning to the question of expanding exports of manufactured and semi-finished goods from the developing countries to the industrialized countries, he stressed the dual need to eliminate non-tariff barriers and to fix over-all *ad valorem* import targets in the various industrialized countries. The application of such measures would have to be checked through multilateral machinery for consultation and supervision, which would also show whether the preferences were in fact based on the varying competitiveness of the different developing countries' products. Priority for duty-free entry should be granted to those developing countries in which production conditions were, from the outset, least favourable.

8. As to financial aid, participants in the Conference should reaffirm the need to obtain from the industrialized countries a budgetary contribution equivalent to at least 1 per cent of their gross national product for the benefit of the developing countries. As the Secretary-General of UNCTAD had pointed out; that source of finance would cover only half the developing countries' financial requirements up to 1975; so other sources must be sought. The IDA, once its funds were reconstituted, would play an important part there; but that reconstitution called for government contributions, hence grants on the "1 per cent of gross national product" basis. The best solution would thus be to enhance inflow of capital from private sources by introducing effective guarantee machinery. The example of the States members of the Conseil de l'Entente in setting up a special fund giving foreign capital complete security might well be followed in other economic zones which were sufficiently well-knit.

9. Besides public funds and private capital, it should soon be possible to call on a new source of finance arising out of the organization of commodity markets. His Government was closely following the progress of the study by IBRD and IMF, and hoped that those institutions would burst the narrow bonds of the traditional compensatory and supplementary financing procedures, and explore new possibilities, in particular at the commodity-price revaluation stage, in other words by the levying on the industrialized countries' imports of a charge to be returned, not to the producers direct, but to the exporting countries, the method of distribution having to take account of the producers' real income, with a view to

general development. Besides, the increase in financial aid would be effective in proportion to the general improvement made in the methods of allocation. It would be advisable to co-ordinate the forms of aid given, if not on a global basis — which would at present be difficult — at least for each source of aid, thus establishing the general guidelines for action over a period of years applying to certain specific sectors in the economic planning of the beneficiary developing country.

10. As regards transactions in "invisibles", his delegation agreed with the recommendations on insurance contained in the Charter of Algiers. As to shipping, prudence was to be recommended: while shipping Conferences might have many disadvantages, the regularity of the rotations they controlled were of undoubted value to the small and medium-sized shippers.

11. Apart from all the steps which should be taken in the spheres he had mentioned, through negotiations between industrialized and developing countries, he thought that links should also be strengthened between the developing countries themselves. However, there too, there must be no hasty systematization. Sub-regional and regional integration would be hard to carry out successfully, unless account was taken of development-stage differences

in the countries concerned. Regarding the land-locked African countries, among the most under-privileged, over-hasty economic calculations would result in their being denied any chance of growth; so the aim should be harmonious progress towards complementary development of natural resources. In that connexion, the Group of 77 had dealt under part two, section G of the Charter of Algiers with the various special measures to be taken on behalf of the "least developed among the developing countries." The most useful principles to be adopted in that connexion, for instance on commodities, preferences and financial aid, should be applicable as from the second session of the Conference — to him, "the last chance". His Government proposed that an *ad hoc* working group be set up within the Trade and Development Board for the permanent review of progress in the development of the under-privileged countries, whether through UNCTAD or the other bodies concerned with economic and financial co-operation. The least-developed countries themselves, aware that their economic growth would depend primarily on their will to develop, considered that their efforts should be backed by special economic protection to enable them to overcome the particular handicaps under which they suffered.

**Summary of statement made at the 52nd plenary meeting, 9 February 1968,
by Mr. Shetima Ali Monguno, Commissioner for Trade of Nigeria**

1. Mr. Monguno (Nigeria) noted that though almost four years had passed since the first session of the Conference had adopted numerous specific recommendations, the lot of over one thousand million people in the developing countries was still deteriorating. The gap between developing and developed countries was widening and no real progress had been made in reaching international agreement on commodities, as shown by the recent breakdown in the cocoa negotiations, the non-observance of the so-called "stand-still" provision⁵¹ and the failure of the developed countries to bring their aid to the developing countries up to their 1 per cent of gross national product target. So far as the developing countries were concerned, the United Nations Development Decade had certainly not lived up to its name.

2. The current balance-of-payments difficulties in some of the developed countries could not justify inaction in regard to the long-term aims of international trade and aid. What was wanted at the second session of the Conference was agreement in principle: details could be worked out in coming months, by which time the difficulties being experienced by some developed countries should be at an end.

3. The developing countries had never believed that they should have no responsibility for their own development. They were prepared to make all manner of sacrifices and to shoulder their responsibilities. There was no excuse here for the developed countries to shirk their responsibilities towards the Third World.

4. He would comment on some of the ten main problems before the Conference in regard to international trade and finance. The Charter of Algiers (TD/38) and the reports of the four Main Committees of the Ministerial Meeting of the Group of 77 (see TD/38/Add.1) specified the unanimous views of the developing countries on ways of solving them.

5. As to the nature and the scope of the projected general scheme of non-discriminatory preferences, due weight should be given to the statement that "The benefits accruing to the developing countries from such a system of preferences will depend largely on the products for which the preferences will be granted and on the volume of imports admitted on a preferential basis". (TD/12 Supp. 2, and Corr.1, para.1.)

6. On supplementary financing, the Conference should be in a position to state when the new scheme should come into operation. Use of the scheme should be clearly differentiated from recourse to the IMF. A further matter was the need for a reform of the world monetary organization to ensure full participation by the developing countries in future talks on world monetary reform and the administration of Special Drawing Rights as approved at the IMF Meeting in Rio de Janeiro.⁵²

⁵¹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 29.

⁵² See resolution No. 22-28, Establishment of a Facility Based on Special Drawing Rights in the Fund and Modifications in the Rules and Practices of the Fund, adopted on 29 September 1967 by the Board of Governors of the International Monetary Fund in joint session with the Boards of Governors of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association (see IMF, *Summary Proceedings, Annual Meeting, 1967*, pp. 271-279).

7. The financing of buffer-stocks was one of the items for which a practical solution should be found during the present session.

8. Also, he hoped that during the session talks could be held between the interested parties to reach an agreement on cocoa. Such a step would be most encouraging to those who had been bitterly disappointed by the recent

failure to reach agreement. Similar difficulties arose in connexion with sugar and rubber, and it would be advisable to consider how they, too, might be tackled.

9. In principle, the Conference should set up consultation machinery to resolve and harmonize views on those issues which still remained outstanding from the deliberations of the different committees.

**Summary of statement made at the 46th plenary meeting, 7 February 1968,
by Mr. Kare Willoch, Minister of Commerce and Shipping of Norway**

1. Mr. Willoch (Norway) noted that in his opening speech at the 37th meeting, the President had stressed the interrelation between the task of the second session of the United Nations Conference on Trade and Development and all aspects of the economic development of the world as a whole. At its twenty-second Annual Meeting in Rio de Janeiro in 1967,⁵³ IMF had discussed measures to increase international liquidity, as well as other measures aimed at paving the way for more rapid and uninterrupted growth in world trade and production. Such reforms, together with more expansive economic policies in surplus countries that could afford it, would increase export outlets for developing countries and reduce the difficulties of industrial countries with external deficits. As the President had stated, the task of the Conference was to evolve ways and means to break through current limitations and surmount short-term difficulties, with a view to reaching long-term goals as soon as possible.

2. While the present situation was in some respects disturbing, he felt all should take courage from the successes which were also part of the general picture. He would like to associate himself with those who had pointed out that production figures and growth rates did not give a true reflection of efforts and results. For example, the fact that India had enrolled 45 million more children in schools would not be immediately reflected in that country's gross national product, but it was obviously a basis for future growth.

3. In his opening statement at the 39th meeting, the Secretary-General of UNCTAD had called for a global strategy of development (see TD/62). In the view of the Norwegian delegation, the second session of the Conference was an intermediate stage in the development towards such a global strategy. All participants, therefore, should seek to avoid duplicating the work of the first session of the Conference and should concentrate on moving from the general to the specific, from the Final Act of the first session⁵⁴ to practical action by the Second.

4. In the trade negotiations at Geneva, the Nordic countries had worked in close co-operation to achieve the greatest possible tariff reductions by the industrialized countries without reciprocity from the developing countries. In 1966, 67 per cent of his country's imports

from the developing countries had entered free of duty. As a result of the Kennedy Round, that share of duty-free imports from less developed countries would rise to 89 per cent. In accordance with the request formulated in the Charter of Algiers (TD/38), his country would also put tariff reductions speedily into effect on goods of special interest to developing countries.

5. While believing that further trade liberalization on a world-wide basis was essential, his delegation realized that for the time being it was probably not realistic to expect further progress through similar methods. It wished to associate itself with the warning given by the representative of the Federal Republic of Germany at the 40th meeting against any measures that might jeopardize the results of the Kennedy Round. New protective measures in industrialized countries would inevitably affect the developing countries, if not directly, at any event indirectly, through their depressive effect on world trade.

6. He agreed that further efforts should now be made to remove the barriers to export from developing countries by granting preferential treatment for manufactured and semi-manufactured products from those countries. It would be no minor achievement if the Conference could reach an understanding on the main elements of such a system.

7. Concerning the question of trade expansion and regional co-operation among developing countries, his delegation had always shared the view that in order to obtain the maximum effect from trade and aid measures, those countries should not only mobilize their internal resources but also increase their trade and economic co-operation with each other. He fully realized that the developing countries could not immediately adopt and put into operation the forms of co-operation developed in OECD or in the regional economic groupings; further steps in that direction would have to be taken by the developing countries themselves. In that connexion, the declaration and proposals contained in the Charter of Algiers must be welcomed as a promising starting-point for working out a specific programme of practical measures. Such a programme could be approached gradually, with initially limited but genuinely binding commitments.

8. He fully agreed with those delegations which attached great importance to the commodity field and he was pleased to note that it seemed to be generally accepted that the Conference should discuss individual commodities in succession. In view of the stage reached by the cocoa

⁵³ See IMF, *Summary Proceedings, Annual Meeting, 1967*.

⁵⁴ *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

negotiations, it should be possible to arrive at an agreement in the near future.

9. While agreeing that it was necessary to make buffer-stock and diversification measures an integral part of commodity arrangements, his delegation felt that such arrangements must take the supply and demand situation fully into account. In the long run, such arrangements would only be effective when structural over-production or imbalances had been overcome.

10. His delegation was pleased to note that trade promotion had been recognized as an important issue. It looked forward to the further strengthening of the joint UNCTAD/GATT International Trade Centre.

11. With respect to supplementary financing his Government was prepared to try to reach agreement at the present session of the Conference on machinery for such financing. He wished to associate himself with the suggestions made by the Secretary-General of UNCTAD concerning the need to develop such a system.

12. In accordance with its established policy of giving strong support to such international aid programmes as IDA, the UNDP and the World Food Programme, his Government considered it most important that those programmes should be provided with increased funds so that they would be able to draw fully on the valuable experience gained by the various bodies in the United Nations family and outside it. It was prepared to support any realistic effort to strengthen IDA.

13. His Government also felt that the time was ripe for fruitful discussions on certain specific measures in the

field of development finance, such as the harmonization and improvement of loan terms and the reduction of tied loans. Much could be gained by placing less emphasis on protectionism and more on liberalism in methods of assistance.

14. In the view of his Government, the UNCTAD deliberations in the field of shipping had developed in a satisfactory manner. Norway had taken an active part in the discussions and was prepared to contribute in a constructive way to solve the problems related to international shipping on the basis of UNCTAD recommendation A.IV.22 — "Common measure of understanding on shipping questions".⁵⁵ His country wished to co-operate with both developing and developed countries in fostering healthy competition, and to try by all means to reduce costs and increase efficiency in international shipping. That would benefit both the developing countries and world trade in general.

15. One of the principal purposes of the Conference was to lower barriers to the exports of the developing countries. The logical extension of that policy should be to remove restrictions also on international shipping, in order to reduce transport costs and thereby help to carry the products of the developing countries to world markets in the cheapest possible and most efficient way. He felt confident that the analysis being prepared by the secretariat of UNCTAD would provide most useful insight into the problems of maritime transport.

⁵⁵ *Ibid.*, pp. 54 and 55.

**Summary of statement made at the 42nd plenary meeting, 5 February 1968,
by Mr. Abdul Ghafoor Khan Nawabzada Hoti, Minister for Commerce of Pakistan**

1. Mr. Hoti (Pakistan) said that the central theme of the second session of the Conference, as the Prime Minister of India had indicated in her inaugural address, was the elimination of poverty. It was unacceptable that poverty should be the destiny of the majority of mankind. The Secretary-General of UNCTAD had outlined a global strategy of development in his report⁵⁶ to which the Conference should give careful consideration. The improvement of economic conditions in the peripheral countries, as the most important task facing the international community, should engage the efforts of countries of both East and West, whether developed or developing; for the economic emancipation of the developing countries would release creative energies that would lead to greater achievements than mankind had so far known. The fundamental question of the present time was how the Governments of the developing countries would spearhead their peoples' struggle for economic progress and how the international community would back those efforts.

2. Self-reliant growth was a principal objective of Pakistan's policy. Its own efforts and the help of friendly

countries had enabled Pakistan to attain and in some cases surpass the targets of its second Five-Year Plan. Under the third Five-Year Plan, at present in preparation, there would be twice as much investment as under the preceding one, and agriculture would be assigned a much more dynamic role than previously. That Plan was part of a longer-term project aimed at eliminating altogether Pakistan's dependence on foreign aid over the next eighteen years.

3. Experience in other developing countries showed them to be increasingly fit to develop their own economies and to utilize their national resources and external aid more effectively than in the past.

4. While he realized that the contribution of the developed to the developing countries varied considerably, he noted with concern that in recent years their aid to the poor countries had diminished, and also that Western countries were tending to go back on their commitments, whereas the objective of aid should be to provide the developing countries with all the resources they needed to achieve independent growth as rapidly as possible.

5. The problem of the indebtedness of the developing countries had assumed alarming proportions and interest payments were eating up a substantial part of their

⁵⁶ *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6).

external earnings. Secretariat estimates showed that if present conditions continued, net lending to those countries would become negative by 1970. Hence the first need was to improve terms and conditions for international loans.

6. The basic trade problems of the developing countries had yet to be solved. For instance, during the first seven years of the United Nations Development Decade, one of the most important, export products of the developing countries, namely, cotton textiles, had suffered many quantitative restrictions. At the same time, the competitive position of the developing countries, as compared with some developed countries, had weakened owing to the formation of regional groupings.

7. The Kennedy Round of trade negotiations had concluded in the middle of 1967, but quantitative restrictions were still being applied, and the developed countries' duties on exports from developing countries would be substantially higher than those on products traded in between the developed countries themselves. According to some estimates, between 1961 and 1966 the developing countries had suffered an annual loss of \$2,200 million, or about 38 per cent of the official financial aid they had received from multilateral organizations and developed market-economy countries, owing to adverse trends in terms of trade.

8. His delegation also regretted the failure of efforts to achieve stable and remunerative prices for a limited number of primary products of export interest to developing countries. Pakistan fully shared the disappointment of the countries which had tried so hard to conclude a cocoa agreement.

9. The second session of the Conference was being held at an important stage in the evolution of the developing countries. It must concentrate its attention on the most urgent needs of the developing countries and, in particular, of the least developed of those countries.

10. The Group of 77 had taken great care not to make proposals which the industrialized countries might consider hard to implement. In the field of trade, all discrimination against the products of developing countries must be abolished and by the establishment of a specific programme those countries must be given the opportunity of competing on an equal footing with the domestic industries of the developed countries in their national markets. Further, the Conference should come to an agreement on the question of preferences. The earnings of the developing countries from their exports of primary commodities must be increased by easier access to the markets of the developed countries through the adoption of commodity agreements and by reserving a specific

share of the market in the developed countries for the commodities concerned.

11. Observing that trade between the developing countries and the socialist countries had been increasing rapidly in recent years, he expressed the hope that the trend would continue.

12. The developing countries must, to be sure, mobilize their national resources more efficiently and modify their institutional structure so as to expedite their rate of growth. But the industrialized countries must fully support the developing countries' efforts. The debt-service burden for the developing countries could be substantially lightened if the concept of net flow of resources could be introduced into relations between the developing and creditor countries. He suggested that total debt service charges should be deducted from subsequent credits. That would enable the developing countries to repay earlier tied loans by new tied loans from the same source and thus avoid having to repay such loans in convertible currency. They could then use all their resources in convertible currency for development.

13. He also proposed general adoption of the practice of allowing developing countries to pay for their tied imports by tied exports. The additional burden on the developing countries represented by the tying of credits would thus be considerably reduced and their exports promoted.

14. Pakistan fully realized the importance of the role of the developing countries in facilitating each other's economic growth, and was participating in current GATT negotiations aimed at lowering trade barriers among developing countries.

15. The question of international liquidity must be given high priority. The developing countries were particularly interested in it, because of its close links with many of the difficulties in trade and aid.

16. In conclusion, he hoped that the second session of the Conference would be a milestone in the history of international co-operation. No effort should be spared to reach an agreement but would lay the foundations of a better life for all. Although some developed countries were experiencing balance-of-payments difficulties, it was none the less true that the prosperity of the developed countries was at a level never before attained by mankind. Such temporary difficulties must not be allowed to obscure the fundamental importance of international co-operation for economic development. Peace and prosperity were everywhere inter-linked: that link must be accepted as the basic premise for the evolution of international co-operation.

**Summary of statement made at the 62nd plenary meeting, 16 February 1968,
by Mr. Edgardo Seoane Corrales, First Vice-President of the Republic of Peru**

1. Mr. Seoane Corrales (Peru) regretted that the main resolutions of the first session of the United Nations Conference on Trade and Development had not been implemented and that the Kennedy Round had provided no helpful solution to the fundamental foreign trade

problems of the poor countries. The hopes placed by countries of the American hemisphere in the Alliance for Progress had also been dashed. Despite those experiences, however, the poor peoples of the world have come to the second session of the Conference with a new hope and

with a desire to agree on practical measures to meet urgent economic and social needs. The Charter of Algiers (TD/38), far from being a mere catalogue of claims, had made positive recommendations on most of the questions on the Conference's agenda. In the remaining years of the twentieth century, UNCTAD should play a decisive role in economic and trade relations for the advancement of the two-thirds of mankind represented by the Group of 77. In order to arrive at effective and immediate solutions on the main issues covered by the Charter, discussions should be mainly focussed on the so-called "points of crystallization".⁵⁷

2. The idea of a global development strategy was reasonable and appropriate, but not sufficient. In the poor countries, inequality of productivity, incomes and consumption reflected the coexistence of two completely separate worlds — that of a subsistence economy and that dependent on imports and exports; and external solutions would not have a total impact on the internal sector so long as those two worlds existed. As the Secretary-General of UNCTAD had pointed out in his report (TD/3/Rev.1),⁵⁸ the benefits of equitable foreign trade and financial co-operation by the developed countries and the assimilation of modern technology could not bear full fruit in the developing countries unless the latter reformed their economic and social structures and their administrative machinery and, above all, unless they changed their approach to economic development problems.

3. One of the most terrible symptoms of under-development was inequality and injustice, the exploitation of a poor, under-nourished and ill-clad majority, lacking adequate housing and schools, by a powerful and wealthy minority. And that majority, with growing intensity, was voicing its resentment at seeing its legitimate aspirations thwarted by the overt or covert economic dictatorship of the minorities which controlled the wealth of the developing countries.

4. The unequal distribution of wealth, land and income was the most serious and dangerous defect of under-development, and the eradication of inequality would lead to national integration and to the mobilization of peoples in a conscious and orderly effort to raise living standards and eliminate under-development for the benefit of all. Regional integration represented the economic liberation of nations oppressed by national and international oligarchies, and to achieve it there were four fundamental reforms that must be carried out.

5. The first was land reform, with the abolition of a landholding system in which large areas of farmland were owned by a single family or enterprise and the creation and encouragement of small and medium holdings and the collective exploitation of the land for the benefit of the rural workers. Such reforms were fundamental to developing countries, inasmuch as they involved the majority of their population.

6. The second was tax reform, involving the introduction of direct and progressive taxation on income and on large rural and urban states and the elimination of

indirect taxation on consumer goods which affected the cost of living. The effect should be to increase taxation on the rich and exempt from taxation those who lacked the basic necessities of life.

7. The third was credit reform, with a reorganization and redirection of the banking system, through the central banks, so as to channel public and private savings towards productive projects of social importance, applying differential rates of interest and charging more for sumptuary projects. Foreign aid should be limited to what was strictly necessary for productive projects with short-term yields, and credits should be subject to the national legal systems so as to ensure that they might never become the instruments of foreign pressure. Poor countries should realize that their development must be met mainly from their own resources, remembering that any external financing implied the payment of amortization and interest which increased its cost and entailed an outflow of foreign currency.

8. Fourthly, there was the reform of undertakings so as to ensure that all concerned, employees and employers alike, should benefit from the distribution of profits, share in the management and be permitted to buy shares in the firm.

9. His delegation was convinced that those reforms, which could be achieved under a free domestic system, would introduce a new social and national equilibrium and hence fulfil the legitimate aspirations of the peoples concerned.

10. They would also lead to the national integration of developing countries, without which the regional integration which would strengthen their bargaining power in international relations with the wealthy countries in both trade and politics would be impossible.

11. The absence of Latin American unity was obvious, despite all efforts to achieve it. The roots of disunity lay in the vicissitudes of the sub-continent's wars of independence, the logical outcome of which would have been the federation of the various territories. On the contrary, that vast region had been fragmented into individual units, as had Africa and Asia — a situation which favoured the political and economic interests of the Great Powers.

12. The developing countries had come to New Delhi to secure practical decisions as well as agreements for immediate implementation so as to improve conditions in the poor countries and, through negotiation, to give greater dynamism to UNCTAD action. His delegation considered several points ripe for immediate agreement. The discussion on a system of preferences had reached the stage where it would be possible to agree on a specific programme of action embodying targets for the implementation, not later than 1 January 1969, of a system of general non-discriminatory and non-reciprocal preferences for manufactures and semi-manufactures from developing countries.

13. A report prepared by IBRD⁵⁹ and the experience of IMF constituted two sound bases for agreements providing the developing countries with guarantees of supple-

⁵⁷ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, paras. 30 and 31.

⁵⁸ *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6).

⁵⁹ *Supplementary Financial Measures — a Study requested by the United Nations Conference on Trade and Development, 1964* (International Bank for Reconstruction and Development, December 1965).

mentary, regular and continuous export earnings to finance their development plans and programmes. It was essential that IDA be given the necessary funds to initiate that action.

14. Experience had proved the efficacy of international agreements to secure minimum stability and equity in commodity prices. It was imperative that the Conference issue specific directives on the conclusion of new commodity agreements which should include provision for buffer stocks to be financed by both producers and consumers. It should also issue a programme setting a time-limit for the complete and speedy elimination of tied loans and, as an interim measure, recommend that tied loans be operated on a reciprocal basis so that repayments were also tied.

15. The critical stage reached by the external indebtedness of developing countries, and the 1970 projection indicating that the net flow of capital to developing countries would be down to zero, made it essential for the Conference to recommend that the creditor countries re-negotiate forthwith the debts incurred by the poor countries in their development efforts.

16. Trade had increased among developing countries, particularly at the regional level, and the Conference

should set up machinery to facilitate not only trade expansion but also economic integration on a regional basis. That machinery could be used as a channel for information, technical assistance and co-ordination at the secretariat level between the various integration systems. The developed countries should express their support of such integration by pledging their technical and financial assistance.

17. Trade between developing countries and those with centrally planned or socialist economies should also be promoted by UNCTAD, which should consider the feasibility of setting up flexible machinery to be used by countries seeking to develop and expand that trade.

18. The Conference was being held at a tragic moment for peace — a time of thwarted hopes. The war in Viet-Nam not only represented the sacrifice of countless lives but also mobilized vast sums which could be used to build a better world. Recent financial restrictions introduced by some countries had led to pessimistic views concerning the future of international co-operation. It was precisely for those reasons that the Conference must not fail. In that spirit, the developing countries appealed to the wealthier countries to work together for their accelerated development.

**Summary of statement made at the 47th plenary meeting, 7 February 1968,
by Mr. Marcelo S. Balatbat, Minister of Commerce and Industry of the Philippines**

1. Mr. Balatbat (Philippines) said that his country's economy depended on export earnings from a few primary commodities. Thanks to those earnings, his country had been fairly successful in financing several development programmes designed to diversify and industrialize the economy. However, its efforts were hampered by the world's highest rate of population growth and by fluctuations in the price of its principal export commodities. Commodity prices should be stabilized at a level which was remunerative and equitable for the developing countries and markets for processed or semi-processed commodities should be guaranteed. The member countries of UNCTAD appeared to be willing to approach those problems on a commodity-by-commodity basis. He hoped that the Conference would lay down certain general principles applicable to commodity trade as a whole and that its work would lead to new agreements, especially on fats and oils and on hard fibres.

2. There was a need for developing countries to protect themselves against sudden and indiscriminate dumping of stockpiles and against subsidization by the developed countries of their own agricultural production and processing sectors. Of course the developing countries themselves would have to follow market trends closely, diversify their production and find new markets. There was a need for discipline, initiative and prudence. However, the developing countries were helpless in the face of competition from synthetics. Consequently, they should endeavour to improve the quality of their products and reduce production costs. Those considerations also applied to manufactures and semi-manufactures for a

general preference system would not by itself guarantee export earnings. Such a system could do much to stimulate world trade. His Government would therefore support it if it covered processed and semi-processed agricultural products as well as manufactures and semi-manufactures.

3. He was glad that the United States Government had agreed not to extend the agreement on reverse preferences granted by the Philippines. The Philippines wished to link its existing preferences in its traditional United States market with the general scheme of preferences. That position did not imply the maintenance of a colonial relationship, but rather its rectification. It was also a duty of former colonial Powers to link unilateral preferences granted to their former colonies with the general preference scheme.

4. The financial aid granted to the developing countries should be increased. In that connexion, he drew attention to the fact that international institutions were the source of the most substantial aid. The fact that some representatives had expressed their countries' desire to continue contributing to the International Development Association and to the Asian Development Bank and that they had pointed out the disadvantages of tied aid gave cause for satisfaction.

5. The Philippine Government supported the idea of supplementary financing. There was no doubt that an agreement could be reached on its principles and on the implementing machinery.

6. Because it was aware of the importance of private investment, the Philippine Government had enacted a law

to attract and protect investment in the new industries established with the help of domestic and foreign capital in the private sector.

7. Turning to shipping, he remarked that sea trade had increased 10 per cent annually over the preceding ten years, but that, like that of other developing countries, the Philippines' share in the merchant marine carriage of its own foreign trade was decreasing. The same was true of import trade, which was encountering the monopoly of certain freight conferences which excluded Philippine

carriers from membership. Land-locked countries were faced with a different type of difficulty. In that connexion, the Philippine Government suggested that a separate working group composed of the interested delegations should be established.

8. Co-operation among developing countries in regional organizations could produce fruitful results. The Philippines belonged to various regional organizations, one of which was moving towards the establishment of a free-trade area.

**Summary of statement made at the 56th plenary meeting, 13 February 1968,
by Mr. F. Modrzewski, Deputy Minister for Foreign Trade of Poland**

1. Mr. Modrzewski (Poland) warned against undue haste in establishing a global development strategy and said that careful attention should be given to all views and proposals. Those on which agreement could be reached should be put into operation and those which were controversial should be the subject of thorough discussion.

2. The Secretary-General of UNCTAD had rightly stated that the development rested in the hands of the developing countries, but it was only natural that they should be assisted in the painful process of economic growth.

3. His country had in the recent past encountered problems similar to those now faced by developing countries. Its *per capita* national income had increased sevenfold during the years 1954-1967 thanks to the profound social changes consequent on the introduction of a socialist economy and to co-operation and ever-increasing trade between socialist countries.

4. The second session of the Conference should be truly universal, and it was detrimental to its success that some of the countries adhering to the principles of the United Nations Charter should be denied the right to participate. A noted absentee, for example, was the German Democratic Republic, which was one of the leading trading nations and provided appreciable assistance to the developing countries.

5. Poland was proud to be recognized as a developed country, but it should be remembered that its *per capita* national income was two-fifths that of Western Europe and one-fourth that of North America. Any automatic formula treating all the developed countries on an equal footing would therefore be unwarranted.

6. His delegation agreed with the proposals calling for increased trade between developing and socialist coun-

tries and believed that normalization of trade between developed market-economies and those of socialist countries would contribute to the common good. World trade was indivisible, and the main characteristic of the present time was growing international interdependence.

7. The general international situation could not be disregarded. The total sum spent on armaments exceeded the volume of world trade. Although it had been suggested that 1 per cent of the national income of developed economies should be devoted to assistance to developing countries, ten times that sum was spent on armaments and the regrettable fact was that the armaments race was actually extending to the developing countries. Peace — which meant progress and development — was permanently at hazard in the world, and war and poverty were potential disasters. Poland was making every effort to expand its relations with the developing countries, and the results were promising. Its trade with those countries was rising faster than its average total trade: between 1963 and 1966 the proportion of finished products imported from the developing countries had risen from 6.8 to 12.7 per cent, and that of manufactures and semi-manufactures had accounted for 26.6 per cent of the total in 1966. That increase had led to the establishment of ambitious targets for the future: the developing countries' share in Poland's total trade was to be at least doubled, bringing it to a level about ten times higher in 1985 than in 1965.

8. The tasks before the Conference were immense but their solution would provide brighter prospects for millions of human beings. As the Secretary-General of the United Nations had said at the 51st meeting (see TD/67), the problems of economic backwardness could not be solved overnight, but they could be effectively tackled and the way paved for the future.

**Summary of statement made at the 48th plenary meeting, 8 February 1968,
by Mr. Chung Yum Kim, Minister of Commerce and Industry of the Republic of Korea**

1. Mr. Kim (Republic of Korea) said that the first session of the Conference had seen a sign of the historic endeavour of the United Nations, through a more effective system of international economic co-operation, to

promote and maintain international peace and prosperity. The immediate task was to improve the lot of more than two-thirds of the world's population whose joint income was not more than one-tenth of that of the developed

countries. Moreover, statistics showed that, while the affluent world was adding annually about \$60 to the *per capita* income of its people, the average increase of *per capita* income in the developing countries amounted to less than \$2 per annum. Close international co-operation was essential to rectify that dangerous situation.

2. UNCTAD had made immense contributions towards identifying the problems confronting the developing countries and had come up with many useful ideas for settling them. His delegation hoped that the second session of the Conference would translate into action the recommendations adopted at the first.

3. The efforts being made to promote commodity trade fell far short of the desired level: the rate of increase in trade of the developing countries remained far behind that of the developed countries; the developing countries' share of the market had decreased, while that of the developed countries had shown a continuous increase; trade among the developing countries had increased far less than trade among the developed countries; and the terms of trade of the developing countries had continuously deteriorated while those of the developed countries had shown continuous improvement.

4. Although the export trade of the Republic of Korea had become less dependent on primary commodities in recent years, still nearly 30 per cent of its total exports in 1967 had consisted of primary commodities, the earnings from which were exposed to the constant menace of price fluctuation in world markets and various artificial manipulations as well.

5. His Government had made serious efforts to eliminate that situation through both multilateral and bilateral channels, but with very limited success. For years it had sought the removal of quantitative restrictions imposed on its primary exports by some developed countries. It had taken part in the recent Kennedy Round negotiations with the desire to remove tariff as well as non-tariff barriers to its primary exports, but its request had been answered with far less seriousness than expected.

6. A substantial change had taken place in the Republic of Korea's exports of manufactures and semi-manufactures, which had increased about ten times between 1962 and 1966. In percentage of total exports, they had increased from 27 per cent in 1962 to 67 per cent in 1966. But the Republic of Korea's exports of industrial products had not grown sufficiently to meet its target for foreign exchange earnings, owing to the unjustifiable barriers and discriminatory restrictions applied by some developed countries. Efforts should therefore be directed to the abolition of those barriers to enable freer access of manufactures and semi-manufactures of the developing countries.

7. The benefits reaped from the Kennedy Round negotiations fell far short of the legitimate desires of the developing countries. It was therefore earnestly hoped that a new round of negotiations would take place to promote expansion of the developing countries' trade.

8. Few developing countries had benefited so far from the partial preferential system granted to their industrial products and, as the Secretary-General of UNCTAD had said, the drawbacks to which the removal of those pre-

ferences might give rise would be more than offset by the advantages which such countries would certainly derive from the introduction of a general preference system in the industrialized countries. The Korean delegation fully concurred with that opinion and believed that the introduction of a general preferential system for the industrial products would stimulate the economic growth of the developing world. There was no justification for reciprocal preferences, since the ultimate goal of preferences should be the economic growth of the developing world. In that connexion, he urged the developed countries to take effective measures to implement recommendation A.II.1, section II,⁶⁰ of the first session of the Conference, concerning the elimination of preferences.

9. Some important developed countries had already taken a lead in granting a general preferential system, and it was hoped that that system would soon become a general practice.

10. The developed countries should remove excessive protection on their manufacturing industries. Such liberalization would stimulate the natural process of rearrangement of industries among countries on the basis of comparative costs and economic efficiency, thus leading to increased production and the maximum utilization of resources.

11. Positive efforts on the part of the developed countries were essential to expand and diversify the exports of manufactures and semi-manufactures of the developing countries. In that respect, the achievements of UNIDO had been highly praiseworthy.

12. Development financing required that the developing countries should make all possible efforts to mobilize domestic resources to the maximum. But a smooth and increased flow of international capital transfers from the developed to the developing countries, with improved terms as regards interest rate, grace period, etc., was equally important. The sound economic growth of many developing countries had been disrupted by unfavourable credit conditions. The Korean delegation hoped that, with the constructive action of countries offering development finance, the recommendations of the first session of the Conference in that regard would be effectively put into practice to the satisfaction of many recipient countries.

13. The freight costs of the developing countries' export commodities continued to increase owing to the fixing by shipowners of special high rates for the transport of non-traditional products of the developing countries. The restriction on vessel exports imposed by some developed countries also tended to increase freight costs, and hindered the establishment of merchant marines by the developing countries. That situation could be rectified only if the developing countries could take part in freight conferences affecting their maritime traffic on an equal footing with the developed countries. Developing countries should co-operate in promoting and developing shipping and other transport systems.

⁶⁰ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 29 and 30.

14. Economic co-operation and integration were essential for economic development of the developing countries. Closer regional economic co-operation and integration might be approached through sub-regional groupings of countries operating a system of economic co-operation in selected fields such as liberalization of trade, the co-ordination of economic development plans, the conclusion of payment arrangements, and improvement of the economic infra-structure.

15. The embryonic stage of UNCTAD's history was now past. Delegations had not come to New Delhi to pass further recommendations, but to act in order to give real meaning to the recommendations already adopted.

16. The Korean delegation sincerely appealed to all developed countries to give serious thought to the needs of the developing countries and take effective action to help them in their efforts to achieve economic welfare and prosperity for their people.

**Summary of statement made at the 60th plenary meeting, 15 February 1968,
by Mr. Tran Van Do, Minister for Foreign Affairs of the Republic of Viet-Nam**

1. Mr. Tran Van Do (Republic of Viet-Nam) hoped that the Conference would be able to reach definite agreement on the "crystallization points" defined at the fifth session of the Trade and Development Board,⁶¹ especially on commodities, development financing and preferences. As a producer and exporter of commodities, his country attached special importance to measures to increase their export earnings. It hoped that methods would be found to reverse the downward trend in their prices, especially for the commodities mentioned in the Charter of Algiers — cocoa, rubber, sisal, jute, sugar, oils and fats — and that the First Committee would agree on specific measures to stabilize their prices. Negotiations for an international agreement on cocoa and sugar should be resumed as soon as possible and a precise time-table set for the conclusion of international agreements on the other commodities.

2. A solution should be urgently found to end the unfair competition from synthetic rubber. The 60 per cent fall in the price of natural rubber over the past six years had caused a loss of about \$4,000 million to the fourteen rubber-producing countries.

3. Except for isolated measures, the recommendations of the first session of the Conference on the abolition of tariff and non-tariff barriers had not been implemented, and the second session should establish a precise schedule for trade liberalization over the next few years. No significant headway had been made in the progressive elimination of internal taxes and quantitative restrictions, and the Conference should find ways of reducing those barriers.

4. His delegation hoped that agreement could be reached on a general system of preferences for the manufactures and semi-manufactures of developing countries on a non-reciprocal and non-discriminatory basis. It supported the recommendation in the Charter of Algiers (see TD/38, part one, section B) that such a special tariff treatment should be granted for an initial period of twenty years and that a compensation clause should be included for the developing countries now enjoying a preferential position, as well as a special clause concerning the least developed countries. It also welcomed the proposal made by the developed countries belonging

to OECD for a degressive non-reciprocal, non-discriminatory system to be applied for a ten-year period. Such measures would help the developing countries to make long-term and short-term diversification plans.

5. His delegation hoped that the mechanism of compensatory financing could be improved and the IMF system made more flexible, particularly with regard to the repayment schedule for loans to developing countries. Recommendations by the Inter-Governmental Group of Experts on Supplementary Financing (TD/33/Rev.1)⁶² could serve as a basis for negotiations regarding the supplementary financing proposal made by IBRD.⁶³ His delegation also welcomed the promises made by OECD member countries to contribute towards replenishing the funds of IDA.

6. Development financing at the regional and inter-regional level was also important, and in that connexion the recently established Asian Development Bank would be more effective if it had more funds at its disposal. While welcoming the Japanese Government's intention to contribute \$100 million to the Bank's special funds for agricultural development, his delegation appealed to the developed countries to make similar contributions.

7. The Development Decade had proved disappointing for lack of an international development policy, and immediate steps should be taken to work out a global development strategy for the next ten years, if possible covering the simultaneous implementation of measures concerning the various problems.

8. In her speech at the inaugural ceremony, the Prime Minister of India had rightly stated that peace and prosperity were indissolubly linked. In that connexion, he wished to exercise his right of reply to various speakers who had mentioned the problem of the war in Viet-Nam. As recognized by the International Control Commission, South Viet-Nam was the victim of open aggression by North Viet-Nam, and the action of the Viet-Nameese and its allies was for the purpose of defending his country's

⁶¹ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, paras. 30 and 31.

⁶² *Supplementary Financial Measures: final report of the Inter-Governmental Group on Supplementary Financing* (United Nations publication, Sales No.: E.68.II.D.3).

⁶³ *Supplementary Financial Measures — a Study requested by the United Nations Conference on Trade and Development, 1964* (International Bank for Reconstruction and Development, December 1965).

independence and territorial integrity. After nine years of war, his country longed for peace so that it could press ahead with its economic development and make full use of its vast resources. Despite adverse conditions, its economy had made some progress. In the industrial sector, production had increased by 40 per cent during the past three years, although agriculture had been

hampered by insecurity in certain areas. Its development plans called for a threefold increase in rice and rubber output over a period of years, on the basis of exceptional soil conditions and the rational use of the latest agricultural techniques, with an anticipated production of an annual surplus of 3 million tons of rice and 200,000 tons of rubber for export.

**Summary of statement made at the 51st plenary meeting, 9 February 1968,
by Mr. Gheorghe Radulescu, Vice-Chairman of the Council of Ministers of Romania**

1. Mr. Radulescu (Romania) drew attention to the loss of impetus of the developing countries during the first half of the present decade. As compared with the 1955-1960 period, the average annual rate of economic growth had declined from 4.6 to 4.5 per cent, largely owing to the deterioration of the developing countries' position in world markets. Their share in total world exports had decreased from 25.3 per cent in 1955 to 19.1 per cent in 1966, while their public external debts had increased from \$10,000 million to \$40,000 million. Consequently the gap created by the colonial system between the various areas of the world had grown wider, thereby placing a heavy responsibility on the former colonial Powers. The situation now confronting the world was one of increasing interdependence on the one hand and steadily widening discrepancies on the other.

2. The Romanian delegation agreed with the proposals put forward by the Secretary-General of UNCTAD for a global strategy of development,⁶⁴ whose first principle was that development was the primary responsibility of individual countries themselves. His Government believed that international economic co-operation could not be a substitute for any country's own efforts, although that did not diminish the importance of collective responsibility. In his view, that responsibility could be exercised in three ways:

3. First, every obstacle in the way of the normal development of trade between all countries of the world should be removed. By its nature, international trade was universal, yet there still existed various forms of political discrimination and artificial barriers to expansion, witness the failure to invite representatives of the People's Republic of China, the German Democratic Republic, the Democratic Republic of Viet-Nam and the Democratic People's Republic of Korea to attend the Conference. The elimination of all discriminatory practices and artificial barriers was an essential prerequisite for the promotion of world trade.

4. Secondly, international relations should be based on principles which granted every nation the right to live according to its own ideas. Unfortunately, international life still provided many examples of imperialist and neo-colonialist practices, of interference in the internal affairs of others, of economic agreements governed by political clauses and military obligations and of the use of force. The cessation of the aggressive war pursued by the United States of America against the people of Viet-Nam

constituted the primary problem of international life today. The relationship between world peace and economic development could be demonstrated by figures: it had been estimated that in order to finance the growth of the developing countries additional resources of approximately \$4,000 million would be needed every year, yet fifty times that amount was spent annually on armaments. If the use of force as a means of settling disputes could be eliminated, the resources now spent on arms could be put to rational use. A firm and lasting solution to the problem of under-development could be found only through the achievement of normal relations between States, based on mutual respect for sovereignty and national independence, equality of rights and non-interference in internal affairs.

5. Thirdly, international trade and financial machinery must be placed on a sound basis. He therefore supported the proposals contained in the Charter of Algiers concerning assistance to export industries in the developing countries, diversification through industrialization, improvement in the terms of external credit, elimination of tariff barriers, stabilization of commodity markets and prices, the conclusion of international agreements on commodities and facilities for the export of manufactures and semi-manufactures. Romania would play a constructive part in the negotiations on those items in which, as a country itself engaged in the development process, it was particularly interested.

6. His country had proposed that the Conference should consider modern forms of economic co-operation as a separate item. Co-operation in production together with technical and scientific collaboration stimulated the development of trade and, combined with long-term agreements, led to the stabilization of exchanges so vital to development planning. Romania co-operated in that way with both advanced and developing countries and had concluded agreements with India, Iran, Syria and the United Arab Republic.

7. His country was interested in the training of technical personnel for external trade, which it considered as important as the training of personnel for industry and agriculture. He also wished to draw attention to the importance of developing East-West trade, which would benefit not only the countries directly concerned but also those of Asia, Africa and Latin America.

8. Romania would consider carefully all the proposals placed before the Conference and would lend its support to any initiative likely to promote international trade in the service of development.

⁶⁴ *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6).

**Summary of statement made at the 59th plenary meeting, 14 February 1968,
by Mr. Deogratias Gashonga, Director-General, Office of the President of Rwanda**

1. Mr. Gashonga (Rwanda) said that his country sincerely hoped that the goodwill expressed in the majority of the statements made so far would lead to the adoption of a charter of development at the present session. The Rwandese delegation, for its part, would firmly uphold in the various committees the principles set forth in the Charter of Algiers and would support the various recommendations made in it.

2. Rwanda considered that the Conference must, *inter alia*, take measures for the benefit of the worst off of the developing countries, namely, those whose *per capita* income was less than a hundred dollars and those which were land-locked.

3. At the Ministerial Meeting of the Group of 77 at Algiers the Secretary-General of UNCTAD had expressed concern at the possibility that some leaders of developed countries might be intending to propose that the Third World should be divided up into zones of influence, so that each developed country would be responsible for a group of developing countries. Despite the political risks implicit in such a division of responsibility, the Rwandese delegation considered the idea deserved to be given due attention by the Conference. If each developed country took responsibility for one or more of the least developed countries — the centrally-planned countries taking charge, for example, of the public sector of their economies and the developed market economy countries of the private sector — international aid might emerge from the anonymity of the present generalized multi-lateralism and healthy competition might be established among the various donors.

4. In the Charter of Algiers, the countries of the Third World had made known their joint determination to achieve social liberation. It was now up to the developed countries to state as a body what they were ready to do

in order to give proof of their joint determination to free the world from fear, ignorance and hunger.

5. In addition, it was time that the leaders of the Third World faced up to the requirements of the age of large units. They should realize that the era of national markets had come to an end and that development would take place through the formation of vast markets covering several countries and through the establishment of machinery to harmonize their industrialization programmes. It was also time they realized that, in contrast to what had happened in the countries which were now developed, it was the popular masses of workers and peasants who were the principal motive force of their progress. The development of two-thirds of mankind would be the work of the great majority or it would not happen at all.

6. If the rich countries sincerely wished to help the poor ones in their struggle for survival, they must satisfy certain basic demands. First, they must overcome the mental apathy — doubtless due to their excessive affluence — which threatened to benumb their inhabitants and make them less and less aware of the impoverishment of the Third World. A public information campaign should be undertaken for that purpose. Secondly, the community of rich countries must accept the fact that true progress was inseparable from peace. Was it not absurd that so much knowledge, technical skill and material wealth born of man's genius should be devoted to exterminating part of the human race when they were most urgently needed to improve the conditions in which men lived? Finally, the developed countries must cease considering the developing countries as a natural outlet for the dregs of their population, whether technical personnel who could not be used in their own country, or insecure elements hungry for adventure and emotional stimulus, who came to trouble the peace and quiet that were essential for successful development programmes.

**Summary of statement made at the 55th plenary meeting, 12 February 1968, by Mr. Yusuf Adib Al-Aama,
Director of Foreign Trade, Ministry of Commerce and Industry of Saudi Arabia**

1. Mr. Adib Al-Aama (Saudi Arabia) transmitted to the participants in the Conference the greetings of the Saudi Arabian Minister for Commerce and Industry, who had not yet been able to attend. He said that his Government's policy was to ensure balanced development by strengthening certain economic sectors, especially in industry and agriculture. Development programmes currently amounted to about \$500 million, or 44.6 per cent of total public expenditure for the financial year 1967/68 (expenditure on development programmes having almost doubled in the past five years).

2. The Saudi Arabian Government had been striving for five years to establish by means of fiscal measures an economic climate in which private savings would be channelled into investment to increase the country's

production capacity. In addition, the Foreign Investment Act passed in 1964 granted the same exemptions to foreign investors, together with exemption from income and company taxes for the first five years of production of the enterprise concerned, on condition that at least 25 per cent of the capital of the enterprise was of national origin. The Act did not only encourage the financing of industry, but also the introduction of the modern methods of production, management and marketing that were essential to industrial growth.

3. The banking institutions of the developing countries, which were mainly foreign, must be persuaded to revise their lending policies and adapt them to the countries' economic needs by providing long-term loans. In order to overcome the deficiencies in the financing machinery,

the Saudi Arabian Government had in 1965 established the Agricultural Bank, and would shortly be establishing an industrial bank.

4. Saudi Arabia imported most of its consumer and capital goods, but it was now trying to encourage local industry and diversify the economy; imports of transport equipment, machinery and mechanical appliances had increased from \$60 million to \$145 million between 1961 and 1967.

5. The Government had played a major role in the development of the social infrastructure essential for the country's economic development, including free

medical treatment in State hospitals, a social security programme, and a scholarship programme.

6. The international tensions resulting from technical and political developments since the Second World War were largely of economic origin; consequently each country participating in the Conference must do its best to facilitate, through a better understanding, the solution of the problems confronting all countries. As the Charter of Algiers pointed out, in a world of increasing interdependence peace, progress and freedom were indivisible, and the development of developing countries would benefit the developed countries as well.

Summary of statement made at the 58th plenary meeting, 14 February 1968, by Mr. Doudou Thiam, Minister of State in charge of Foreign Affairs and acting for the President of the Republic of Senegal

1. Mr. Thiam (Senegal) said that 2,500 million men and women were at present looking towards New Delhi in hope and fear. The fear was amply justified by the lessons of the past, of a so-called United Nations Development Decade which had ended in frustration and a first session of the Conference which had led to disappointment. The fifteen fundamental principles set forth in the Final Act of that Conference⁶⁵ could have brought about a marked improvement to the life of the under-privileged nations, but the lot of their inhabitants had in fact deteriorated. New economic policies had been recommended to ensure a regular increase in average income, but that increase was still below the target of 5 per cent. No improvement had been noted in the international division of labour, and rather than an increase in the developing countries' income from exports, there had been a spectacular fall in commodity prices, the progressive removal of customs barriers for products from the developing countries had also been recommended, but it was uncertain whether all the Great Powers would comply with that recommendation. With regard to the introduction of a system of general preferences, the apparent tendency was to remove existing benefits without finding satisfactory substitute solutions.

2. Another cause for concern was the international political situation. Economic development had been rightly linked with peace, but military and economic blocs and arms production still existed, expenditure on armaments was increasing and the problem of disarmament remained unsolved.

3. Nevertheless, the developing countries were still hopeful. Their hopes derived first from their will to live, drawing from their own resources the energy necessary for their development. Decolonization had restored their rights but also their responsibilities. Their hopes also derived from a sense of solidarity among the developing countries, coupled with a systematic rejection of the unjust laws which governed present-day economic relations.

The framing of the Charter of Algiers was for them the most important political event of the second half of the twentieth century, for it represented an effort to find a common basis of action, despite varying levels of development and often divergent interests. The point at issue was whether the developed countries would appreciate the importance of the developing countries' declaration of economic rights before it was too late. True solidarity, which would finally save mankind, was not solidarity between Africans, Asians or Europeans, but solidarity among the nations of the whole world and the knowledge that they must live or perish together. The greatest injustice of all time was that three-quarters of the world's population should possess only 15 per cent of the world's income, and the greatest stupidity of all times was the spending of vast sums on armaments.

4. During a recent visit to Eastern European countries, he had been told by his hosts that the world should not be divided into rich and poor but into imperialists and socialists. The imperialists had exploited the developing nations and were responsible for their present situation. It had also been pointed out that even after independence, the developing countries had maintained and even increased trade relations with the former metropolitan countries but had established few new trade links with the socialist countries. It was true that the developing countries' present situation was to a great extent linked with their colonial past and that their trade with market-economy countries was greater than that with the planned economy countries. The contrary would have indicated an abnormally sharp break with the past but new trade links had been established with the socialist countries and were rapidly increasing. The former colonial countries were not solely responsible for helping the developing countries; all the developed countries shared that responsibility, the former colonial Powers as a reparation for the harm done and also, in some cases, in order to express solidarity based on sentimental ties, and the socialist countries because of their traditional opposition to injustice, exploitation and poverty.

5. It would be wrong to waste time on apportioning responsibilities. The countries of the world should turn

⁶⁵ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 18-22.

their backs on the past and look resolutely towards the future, which concerned them all. The Charter of Algiers should be adopted by all countries as a universal declaration of the rights of developing countries, and as a complement in the economic and social fields, to the Universal Declaration of Human Rights. The second session of the

Conference should not merely state certain fundamental principles but should translate those principles into regulations binding on all countries. Unless that was done, the problem of under-development would remain. The New Delhi Conference must see to it that millions of men and women of the developing world did not hope in vain.

**Summary of statement made at the 54th plenary meeting, 12 February 1968,
by Mr. Joseph A. Wilson, High Commissioner for Sierra Leone in the United Kingdom**

1. Mr. Wilson (Sierra Leone) recalled that in writing about the United Nations Development Decade the Secretary-General of the United Nations had observed that only through co-operation between all countries, irrespective of their political or social systems, could the peace of the world be ensured and sufficient impetus be given to the struggle of mankind for a better and fuller life. In those words the Secretary-General had set out the philosophy underlying the concept of the peaceful co-existence of all nations, and UNCTAD was the vehicle by which it was hoped that that philosophy would find material expression. Every effort should accordingly be made to reach workable solutions to the problems now gravely threatening economic stability and world peace. Developments since the first session of the Conference had unfortunately only aggravated the economic plight of the developing countries. The fact was that during the past five years the rate of growth of *per capita* income in the developing countries, in real terms, had been less than in the 1950s, whereas in the developed countries it had increased.

2. Reviewing some of the problems of development faced by his own country, he noted that the economy was still largely dependent on the extractive industries, which provided the exports constituting the basis of Sierra Leone's external trade and the main source of its foreign exchange earnings. The estimated annual rate of economic growth for 1966, in real terms, had been only 3 per cent. As a step towards raising the standard of living of the people, the Government had embarked on various schemes of development in scientific and technical education and in the field of labour and management. The success achieved so far had been modest, for with its limited economic capacity Sierra Leone could not completely finance so ambitious a programme from its own resources. Unfortunately, the anticipated financial support from the developed countries had not been forthcoming.

3. Over 75 per cent of Sierra Leone's labour force was engaged in agriculture. Despite government action to improve the quality and volume of agricultural produce, recent trade figures showed a continuing down turn in the prices of all primary commodities, with the exception of coffee and, possibly, palm kernels.

4. Such facts served to underline the adverse trend in his country's terms of trade — a trend that had resulted in a decline in its export earnings. It was but one of the problems confronting the country in its efforts to modernize the economy.

5. In general, exports from West Africa showed wider short-term price fluctuations than those from industrial-

ized countries, due to the relative rigidity of a production system which subjected the prices of most primary products to greater fluctuations than those of manufactured goods. Some positive international action was needed, in which connexion two possible measures came to mind, both being included in the proposals in the Charter of Algiers (TD/38): first, the introduction of buffer-stock techniques, sponsored by one of the international financial institutions, and secondly, the formulation of commodity agreements on a commodity-by-commodity basis. In that connexion, his Government welcomed the establishment of a joint UNCTAD/GATT International Trade Centre.

6. The fact that the volume of exports of primary commodities tended to rise slowly while the demand for industrial imports had accelerated was indicative of the desire for better living standards consequent on the increase in the income level of a growing portion of his country's population. To a certain extent the situation had been improved by an increase in the supply of imported goods. But certain factors had militated against the Government's action, such as the fall in world demand for certain primary commodities — the result, mainly, of the development in the advanced countries of synthetic substitutes. His country's position was still further weakened by the strong economic position of the developed countries which allowed them to dictate prices.

7. It was not surprising, therefore, that developing countries finding themselves in that position of impotence sought to diversify and industrialize their economies. Some, in their eagerness, had to their own detriment embarked upon uneconomic projects — a situation which was sometimes aggravated by the activities of unethical interests. The developed countries could not be absolved from all blame in that respect, however, for in the final analysis they were responsible for the actions of their nationals.

8. One common experience was for a developing country to discover that the domestic market was inadequate for the economic operation of the new industry. Duplication with similar industries in neighbouring countries also occurred.

9. One consequence of industrialization was the concentration of population in and around the centres where the new industries were established, thereby creating an uneconomic dispersal of population leading to under-exploitation of the available land resources.

10. The nature of the problems of diversification and industrialization had led logically to the idea of regionalism. His country had taken an active part in discussions

on the creation of a West African Free Trade Area and had signed the proposal to form the Economic Community of West Africa. The redevelopment of the national Rice Research Station with a view to serving the whole region was a practical demonstration of Sierra Leone's faith in regionalism as an urgent prerequisite for economic survival. The political, psychological and economic impediments to regional integration were by no means insurmountable.

11. The question of preferences was one of the vital issues to be discussed by the Conference. Although his country firmly believed in the virtues of free trade, it shared the view that a system of general preferences would protect the trade of peripheral countries in this participation in the global policy of trade liberalization. If such a system were established, it would be necessary to ensure that countries which at present enjoyed special preferences received at least equivalent compensation.

12. The results of the Kennedy Round were more favourable to the developed than to the developing countries, but it would be a better testimony to the memory of that great man if the unfinished work were completed at

the Conference and the rights of developing countries as enshrined in the Charter of Algiers acknowledged by all participants.

13. An unfavourable balance of payments was the logical result of the adverse movement of the developing countries' terms of trade but that was not the only reason for the deficit. Another arose from their invisible trade with the advanced countries. The problem of the developing countries' services deficit was growing, along with their foreign indebtedness and debt-service burdens; and the increasing tendency on the part of the donor countries to replace outright grants by redeemable loans did nothing to improve matters.

14. It had been suggested that the Conference was facing failure, a suggestion not without justification when viewed in the light of current trends in international trade. Participants in the Conference should take up the challenge and see that the second session of the Conference not only did not fail, but succeeded in formulating global development strategy which would rescue the developing nations from economic stagnation and help to close the gap separating the rich countries and the poor ones.

**Summary of statement made at the 62nd plenary meeting, 16 February 1968,
by Mr. Maurice Baker, High Commissioner for Singapore in India**

1. Mr. Baker (Singapore) welcomed the opportunity given to his country, a small and newly independent nation, to participate in the discussion of the vital economic issues confronting the world. Like many other developing countries, Singapore was disturbed not only at the present situation and the future development of commodity trade but also at the uncertainty surrounding the export potential of manufactures. His country had spared no efforts to promote rapid industrial development, but its efforts would come to nought if access to the markets of the developed nations was denied. Although the light consumer goods produced in Singapore were comparable in quality to those manufactured in the developed countries, they were extremely difficult to sell because of the quotas, tariffs and special arrangements between the developed countries themselves. The existence of such obstacles was no secret; the satisfaction of the industrialized countries and the disappointment of the developing countries at the results of the Kennedy Round should make it quite obvious who the real beneficiaries of those negotiations had been.

2. There would have to be changes in the attitudes of the developed nations, for the existing pattern of international trade did not encourage the developing countries to sell either commodities or light manufactured goods, and the latter were at the same time faced with the increasing cost of manufactures imported from the developed countries.

3. Another problem to which his country attached particular importance was that of conference shipping which carried the bulk of its foreign trade. Despite Singapore's favourable geographical situation and excellent port facilities, the shipping conference system had prevented it from obtaining competitive freight rates for its cargoes. The reform of the system was overdue. One of the major problems faced by the developing countries was the non-accessibility of key information on the shipping industry. Without such knowledge and information, they would never be able to bargain for reasonable freight rates or even develop their own merchant fleets. The big maritime nations should consider it their moral obligation to exercise some of their regulatory powers in that sphere for the benefit of the developing countries.

4. In his Government's view, the Charter of Algiers represented the minimum requirements of the developing countries. In face of the magnitude and urgency of the problems, it was necessary to find immediate solutions on at least a minimum number of specific issues. Time was short; if immediate co-operation was not forthcoming the problems would become too vast to solve. His country, which had been impressed by the goodwill and mutual understanding which had so far pervaded the Conference, would contribute its share to correct the injustices in the current pattern of international trade.

**Summary of statement made at the 58th plenary meeting, 14 February 1968,
by Mr. Mohamed Ali Daar, Minister of Industry and Commerce of Somalia**

1. Mr. Ali Daar (Somalia) characterized the basic difficulties faced by the developing countries in their efforts to achieve rapid economic progress—difficulties which were becoming more acute with the increased pace of

development programmes—as stemming from their inability to meet the financial requirements of those programmes from their own resources. The performance of the developing countries in the past decade had been disap-

pointing and would not improve unless immediate action were taken through a global strategy for economic development. Much depended on the developed countries' willingness to promote an increase in the developing countries' exports. The export of primary products would remain the most important currency-earning sector for developing countries for many years to come. That did not mean that his delegation attached no importance to assistance and encouragement to the manufacturing sector, but the expansion of the latter would take many years. It therefore urged immediate action concerning commodity agreements and suggested that the range of commodities covered by agreements should include additional items such as bananas.

2. With regard to manufactures and semi-manufactures, the need for increased marketing facilities could not be over-emphasized. The developed countries would have to grant substantial tariff concessions for such products from developing countries, but any scheme of preferences which did not include processed and semi-processed agricultural products would be of little value, since the latter would continue for several years ahead to account for a substantial proportion of the developing countries' exports.

3. His delegation regretted the downward trend in the flow of capital to developing countries and the worsening of the terms for loan capital and of the developing countries' debt-servicing capacity. It therefore endorsed the proposals contained in the Charter of Algiers and urged the developed countries to increase their financial aid to the developing countries. It also proposed the elimination of political considerations in granting aid, the need for development finance to be the sole criterion.

4. The resources of the international financial institutions, particularly those of IDA, should be substantially increased, more financial aid given to the smaller and relatively less developed countries and the terms of loans made more favourable. The international financial institutions should co-operate with the governments of developing countries in the public as well as the private sectors of their economy.

5. The question of shipping was of great concern to all developing countries, since the high cost was a major

factor in their balance-of-payments difficulties and the cost of their exports. The Conference should therefore make a close study of the questions of monopolies, conference practices, freight rates, port improvement, consultation machinery and international legislation. It might consider the establishment of shipping lines for the developing countries on a regional basis, possibly incorporating existing coastal shipping and inviting the participation of international shipping lines.

6. The developing countries realized that the development of their economies depended on their own efforts and internal organization and were willing to assume their responsibilities in that connexion. Since many of their economic problems stemmed from the difficulty of establishing powerful enterprises within small political units, his delegation noted with pride the establishment of the East African Common Market with which his country was seeking association. It hoped that that and similar efforts at market integration in other areas would be crowned with success and would contribute to the establishment of viable economies in those regions. However, progress would not be possible without an improvement in the commercial and financial relationship between developed and developing countries.

7. Considering the mutual advantages derivable from universal partnership, his delegation deplored the developed countries' attitude at the recent International Symposium on Industrial Development held in Athens, in November/December 1967 where they had objected to the recommendations on finance and commerce. It was to be hoped that the present session of the Conference would avoid the mistakes of the past, and that by a display of concentrated effort and sincere co-operation it would lay a solid basis for a stable and progressive international economy. His delegation hoped particularly, that concrete results would be achieved in respect of commodity agreements, tariff reductions, increased resources for international financial institutions, the provision of long-term loans at reasonable rates and special preferences for the least developed countries, particularly for the products which constituted their major export earnings. Moved by that spirit of co-operation, the Conference could provide the foundation for a better, more prosperous and united world.

Summary of statement made at the 64th plenary meeting, 22 February 1968, by Mr. Willem Christiaan Naude, Permanent Representative of the Republic of South Africa to the United Nations Office at Geneva

1. Mr. Naude (South Africa) said that his country was well acquainted with development problems. In fact, it was only during the last decade that South Africa had attained a relatively high level of economic development; that achievement had demanded considerable effort, the acceptance of stringent economic discipline and the adoption of prudent fiscal measures over a period of some forty years. It was on the strength of that experience that South Africa could claim to make a positive contribution to the work of UNCTAD.

2. Recognizing the importance of foreign trade for development, he pointed out that South Africa was one of

the important trading countries of the world; its imports comprised primary commodities and raw materials, as well as capital and consumer goods.

3. As everyone knew (the Charter of Algiers (TD/38)), the proposals put forward by the member States of OECD and the variations proposed during the debates would enable the developing countries to accelerate their expansion and hence to stabilize commodity markets and obtain increased access to the markets of the developed countries, credit sources and technical know-how.

4. His country attached great importance to the stabilization of certain agricultural commodity markets. Conse-

quently it was ready to participate actively in the negotiation of international agreements on commodities that lent themselves to such arrangements, on a commodity-by-commodity basis.

5. It was generally acknowledged that trade must, in the long run, take the place of aid. But greater efforts were called for at the international level, in order to increase the developing countries' export possibilities, as well as measures to improve the terms of trade of countries whose exports rested on a limited number of products. However, the importance of development aid could hardly be ignored. In view of the close interdependence of all the countries of the world, progress and prosperity in the one country also benefited the other. South Africa's expanding economy had not failed to have a stimulating effect on the economy of other countries. In that connexion, he pointed out that South Africa had always made available to other countries, without strings, its experience, skills and resources.

6. Agricultural production in South Africa was not favoured by the climate. Many problems connected with diseases, parasites, seed selection, cattle-raising and soil preservation had had to be overcome. In that respect, too, South Africa was willing to share its experience with other interested countries.

7. South Africa was making a moderate use of tariffs to encourage the establishment of viable industries. Such a policy promoted regular imports and made it possible to defer exploitation of certain production sectors. It also permitted either free of duty or at nominal duties the import of products from the developing countries, such as tea, coffee, the cocoa bean, cotton, natural rubber, tropical timbers and jute. Obviously, the composition of South African imports would change in the years to come, but judging from statistics, the South African market would continue to expand rapidly. The selective protection policy of South Africa was such that it was scarcely possible to grant global tariff concessions without affecting the whole economy. To be competitive, the capital intensive industries required wider markets than the home market. Moreover, the numerous small industries in South Africa could not be unduly exposed to the competition of much larger foreign industries.

8. In conclusion, he recalled that during the Kennedy Round, his country had been classified neither as a developing country, nor as a developed country. He hoped that, just as it was recognized that the developing countries included countries that were less developed, so it would be conceded that the developed countries included countries that were less advanced.

Summary of statement made at the 55th plenary meeting, 12 February 1968, by Mr. Mahmood Saeed Madhi, Under-Secretary in the Ministry of Trade, Economy and Planning of Southern Yemen

1. Mr. Madhi (Southern Yemen) said that his country had not participated in the first session of the Conference because it had only recently become independent, after four years of hard struggle and heavy sacrifices. Although Southern Yemen had not been able to take part in the Ministerial Meeting of the Group of 77 at Algiers, it fully supported the provisions of the Charter of Algiers. However, he wished to draw attention to a special category of countries, apart from the relatively less developed countries, which needed, in addition to the aid envisaged by the Charter of Algiers, a special form of assistance from the international community, in order to overcome the exceptional economic difficulties from which they were temporarily suffering. Those countries, which included Southern Yemen, after its four years of armed struggle, were in the position of a wounded man who needed special attention before he could enter the race. Such countries must be provided with the means to embark on the road to economic development.

2. The granting of non-reciprocal preferences for imports from the developing countries and an increase in the volume of aid were specially important for Southern Yemen, which had inherited a substantial balance-of-payments deficit (averaging £50 million a year according to the available statistics), a deficit which there had previously been no attempt to remedy. Moreover, Southern Yemen had no demographic or economic statistics to enable it to plan its development and needed substantial aid in that respect. Agriculture, which offered good prospects for development had been sadly neglected in the past; thus Southern Yemen produced cotton, although

cotton exports were hampered by tariff barriers, while it imported products that could be produced at home. Consequently, the country needed equipment, fertilizers and training for farmers in order to permit the introduction of modern methods. Fishing also offered great development possibilities in a country with seventy-five miles of coastline rich in fish. Apart from petroleum refining, industrial development had also been neglected, although Southern Yemen's resources would justify the establishment of economically viable industries for import substitution and export promotion, without violating the principle of the international division of labour.

3. Undoubtedly Southern Yemen would need capital and know-how in order to embark on its development, and its infant industry would hardly be able to develop if exports came up against tariff and other barriers. The developed countries could do much in that respect. In addition, Southern Yemen suffered from an acute shortage of technicians and experts in every field, as it had no university and few of its citizens had been able to go abroad to study. Consequently the transfer of know-how was of vital importance for the country.

4. In the difficult situation in which Southern Yemen found itself, it pinned its hopes on aid from the international agencies and the international community and on regional co-operation. It strongly supported the Common Market of the Arab States, in which it intended to play a full part.

5. In conclusion he expressed the hope that the Conference would work out constructive proposals that could be implemented without delay.

**Summary of statement made at the 50th plenary meeting, 8 February 1968,
by Mr. Faustino García Monc6, Minister of Commerce of Spain**

1. Mr. García Monc6 (Spain) said that the first session of the Conference had agreed that the problem of the economic development of all countries involved the whole international community and must be solved if peace, progress and brotherhood between peoples were one day to become a reality. Although that session had not produced the result expected by the developing countries, it had at least made all nations conscious of that need.

2. As expansion of international trade was a prerequisite for continuous economic development, particularly in the case of the less advanced countries, there must be a consensus on trade policy measures which would promote a more equitable distribution of international wealth; it was only thus that the targets of the United Nations Development Decade could be reached. Those targets were far from being achieved, and the Kennedy Round negotiations had not solved the main problems facing the developing countries.

3. For an economic development policy to be solidly based, both the developed and the developing ones would have to make a serious contribution. Aid programmes were not enough; economic, scientific and technical relations must be established between all countries in order to attain the final goal of economic development, which was to create new sources of wealth, increase the rate of economic development and help improve the standard of living of all peoples.

4. The fact that the principles which had emerged during the first session of the Conference had not been put into practice was perhaps due to a lack of realism and an attempt to do too much at once. Viewpoints developed slowly and their synthesis took time, though, of course, the time-lag should be reduced to a minimum in order to meet the justified impatience of countries in a particularly difficult situation. His delegation considered, incidentally, that it was better to persuade an opponent rather than to push him to the wall, and that it was preferable to work through a specific programme by stages. In that connexion, the Conference should, without neglecting other questions, pay particular attention to the study of problems which were ripe for solution and to "points of crystallization".

5. As to commodity problems, two methods had so far been proposed: a general one valid for all commodities, and one applied separately to each. While at first glance, the former seemed more attractive, his country nevertheless favoured the latter, as it would allow account to be taken to the difficulties peculiar to each commodity. It was to be hoped that the Conference would achieve practical results concerning agreement on commodities already under discussion, as well as a liberalization of commodity trade which, by facilitating access to consumer markets, would enable producer countries to expand their trade.

6. It was also necessary, however, for the peripheral countries to diversify their production, not by widening the range of commodities exported — which would only multiply their problems — but by processing the commodities and endeavouring to manufacture industrial products.

7. As to trade in manufactured and semi-finished products, the liberalization of trade had enabled better advantage to be taken of world resources and of the potentialities offered by new techniques; but a great deal yet remained to be done. On the one hand, access of manufactured products and commodities to the markets of the developed countries was still being hampered while, on the other, the developing countries were all too often obliged to restrict their external trade owing to difficulties concerning methods of payment. It was to be hoped that the Conference would find ways of remedying that situation, with due regard to the interests of the developed countries and to all the possibilities of diversifying production processes in the peripheral world.

8. Regarding development financing, and more particularly the financing of trade, the Conference should study ways and means of eliminating the all-too-common relevant obstacles to trade expansion. His country had, from the very beginning, supported the idea of supplementary financing, as launched at the first session of the Conference. He himself was convinced that a means of setting up the appropriate machinery could be devised at the present session, even if the question had not yet been fully gone into. If the targets of the Development Decade were to be attained, the developed countries would have to reach a better understanding of the difficulties facing the developing countries, while the latter would have to do everything in their power to make the most profitable use of funds from abroad.

9. With regard to the international monetary system and its connexion with trade and development financing, his delegation wished to emphasize several points which the Conference should bear in mind during its work. First, many countries taking part in the Conference would be called upon to reach decisions in the various United Nations specialized agencies competent to deal with those problems. Secondly, such problems should be resolved with due regard to the principle of universality. Thirdly, any change in the current international monetary system should include watertight guarantees that the new system would operate effectively. Lastly, the international monetary system should be an instrument of trade expansion and other international operations; but should not be used to change international trade trends or to curtail the freedom of the present market.

10. He went on to stress the importance of shipping for national economic and social development in countries whose external trade was mainly carried on by sea. In that connexion, he asked the Conference to study the possibil-

ity of eliminating those practices of the maritime conferences which seriously impeded participation by the merchant fleets of the developing countries in freight transport.

11. To conclude, his delegation opposed the oversimplified classification of countries as "developed" or "developing", and the confusion which arose from superimposing that classification on the geographical classification

of countries. To avoid any such confusion, he would point out that his country should in fact be counted among the developing countries, but that the time had come to distinguish a third category of country, as his delegation had suggested at the first session of the Conference. The question should be settled realistically in the interests of the countries concerned.

**Statement made at the 60th plenary meeting, 15 February 1968,
by Mr. Beshir El Bakri, Governor of the Nilein Bank of Sudan**

1. Mr. El Bakri (Sudan) said the countries of the Third World, whose contribution to mankind was undeniable, were entitled to a place in the civilized world. Now that the need for co-operation had been internationally recognized, they could look forward to an era of unprecedented achievement. World peace however, was a prerequisite for economic development, and the Conference would do well to consider the economic problems created by the war in Viet-Nam, the situation arising out of the Israel aggression against the Arab people and the existence of apartheid in South Africa.

2. His delegation agreed with those who had voiced concern at the deterioration in trade relations between the developed and the developing countries and hoped that the Conference would adopt the Charter of Algiers as the declaration of the rights of the developing countries.

3. Among the questions of special interest to his country was that of price stabilization, for trade in primary commodities accounted for 80 per cent of the national income. Cotton, for example, had been adversely affected by the development of synthetic fibres — a situation further aggravated by certain measures taken, in violation of agreed international principles, by some developed countries. Those measures consisted of subsidizing the promotion of the artificial production of long staple cotton, imposing quota restrictions on its import and adopting other discriminatory measures. There were reports, moreover, that one developed country — which he did not wish to name — was introducing legislation to ban the import of long staple cotton from certain developing countries. If that was so, it would indeed be a blow to the aims for which the Conference was striving. The Conference should therefore evolve an appropriate formula in respect of the dependency of the economy of the developing countries on primary commodities. Such a formula could perhaps be reached, first, by agreeing on the general principle of supplementary financing; secondly, by making arrangements, with adequate financial and technical backing, to help developing countries to diversify their economies; and, thirdly, by implementing measures to ensure a sound international division of labour.

4. The major contribution in respect of development would, of course, have to come from the developing countries themselves, and his Government was therefore ready to help in solving the world food problem once the necessary technical know-how and financial means were made available.

5. Since independence, Sudan had sought to widen its markets, one result being that the volume of its trade with the socialist countries had been steadily increasing. Sudan also maintained excellent relations with the People's Republic of China, whose absence from the Conference he deplored.

6. Industrialization deserved the Conference's special consideration. Despite the position of the least developed among the developing countries, his Government considered that a system of general preferences would be useful, provided that its duration was determined only when developing countries has reached a certain stage in their export trade. His delegation also considered that processed agricultural products should be regarded as semi-manufactured goods.

7. As certain prerequisites were essential for the success of such a scheme, Sudan had enacted legislation in 1956, and again in 1957, to promote industrial ventures and encourage investments. A survey and plan in respect of the country's industrial potential had also been formulated with the assistance of UNIDO and would be incorporated in the five-year industrial plan.

8. Sudan, which was convinced of the value of integration, had joined the schemes to that end devised by the League of Arab States and the Organization of African Unity. Such integration, in his delegation's opinion, should be extended beyond regions to cover wider areas, and the tripartite agreement concluded by Yugoslavia, India and the United Arab Republic provided an excellent example of inter-continental integration. It was to be hoped that the Conference would formulate recommendations to further economic integration and to enlist industrial countries' aid to that end.

9. Recognizing that development finance was primarily its own responsibility his country was sparing no effort to mobilize and augment its financial, human and natural resources, setting up machinery to mobilize savings and reforming the banking structure to enable it more effectively to direct funds towards development investment. Such measures might be discussed by the Conference with a view to making them internationally applicable, thus encouraging the flow of private and public foreign capital which was essential to development.

10. His country was concerned at the curtailed flow of public capital and the stringent conditions governing interest rates and repayment periods. While the flow of funds

to developing countries had by no means attained the one per cent target set for the United Nations Development Decade, considerable amounts were being spent on armaments by developed countries. His delegation therefore suggested that private investment and export credit, as well as public loans with an interest rate of over 3 per cent, should be excluded when calculating the 1 per cent to be contributed by the developed countries, and that that 1 per cent should be limited to financial flows, and calculated in respect of the gross national product of the country rather than its national income.

11. The process of economic development was inevitably accompanied by external disequilibrium but, in order to bridge the trade gap, his delegation suggested that there should be a substantial net transfer of resources from developed to developing countries, that the recommendations of the first session of the Conference to ease the burden of external debts by rescheduling repayments should be fully implemented, and that developing countries should be associated with all efforts to solve international liquidity problems. Liquidity should not be regarded as a matter concerning the rich countries alone, for the developing countries with their chronic balance-of-payments difficulties could not remain indifferent to the solution of international monetary problems. His country had been hard hit by the devaluation of the pound sterling, since the bulk of primary commodity trade was done in

the forward market in terms of that currency. While appreciating the balance-of-payments difficulties of some of the developed countries, they should not become a pretext for putting further impediments in the way of trade expansion and the flow of development funds, especially in regard to the developing countries.

12. His delegation strongly supported the call made by the Secretary-General of UNCTAD for a global development strategy, and stressed the interdependence of trade and aid which should supplement each other in times of adversity.

13. The first session of the Conference had brought out the international community's increasing awareness that a great society was conceivable only at a global level, and the second session had been convened to avert the division of mankind into two separate camps, one occupied with problems of scarcity and the other with those of affluence. It was regrettable that no progress had been made in the implementation of the recommendation of the first session of the Conference, but it was to be hoped that the second session would mark their translation into positive action. His delegation unreservedly supported the proposal that UNCTAD should become an international organization of trade and development with full negotiating and executive capacity, so as to ensure full implementation of whatever recommendations were adopted by the present session of the Conference.

**Summary of statement made at the 44th plenary meeting, 6 February 1968,
by Mr. Gunnar Lange, Minister of Commerce of Sweden**

1. Mr. Lange (Sweden) said that the Nordic countries, in their preparations for the Conference, had concentrated on questions where practical results seemed most promising. For that reason they had welcomed the "points of crystallization" that had emerged at the fifth session of the Trade and Development Board.

2. Commodity trade would for long remain of decisive importance for the developing countries. Although the UNCTAD secretariat had defined certain basic elements of an international policy on commodities, the fact had to be recognized that concrete action was still lacking. The Swedish Government wished price-stabilization agreements for particular commodities to be concluded. He regretted that no new agreement had been concluded since the first session of the Conference and hoped that at New Delhi Governments would evince their political determination to complete current negotiations rapidly and to create the right conditions for the conclusion of agreements on other products. The working of commodity agreements raised certain problems, relating mainly to financing of mechanisms, namely buffer-stocks; the latter could be useful in certain cases and might, in conjunction with other mechanisms, help to stabilize the market. If realistic agreements could be concluded, it should be possible for Sweden to meet the wish for co-financing in suitable forms. For commodities subject to competition from substitutes and synthetic products other solutions would have been found: rationalization, co-ordination and

diversification of production, as well as greater selling efforts. In that connexion there should be more technical and financial aid from the industrialized countries. As regards increased market access, he said that in his Government's view, all industrialized countries should concentrate on joint action to remove tariff barriers against tropical products and customs duties on industrial raw materials.

3. The Swedish Government was aware that the developing countries had not gained the benefits they had expected from the Kennedy Round negotiations. Despite the positive results achieved for the developing countries under the Kennedy Round, a number of barriers to trade had not been removed, and consequently further efforts must be made to liberalize trade. Because it seemed unlikely that any major tariff negotiations on a most-favoured-nation basis would take place during the next few years, the main attention must be directed towards granting preferences to imports from the developing countries. Firm results would demand long and difficult negotiations. Preferences should be granted by all the major industrial countries to all the developing countries for the widest possible range of products. The system would have to be properly controlled within the appropriate framework. Sweden was willing to participate in a constructive way in the efforts of the Conference to lay down the basic guidelines of a preference system, but efficient promotional measures were also necessary.

In that connexion, it was gratifying to note the setting-up of a joint UNCTAD/GATT International Trade Centre — a good example for future co-operation between the two organizations. He hoped that the new set-up would mean bigger resources for the efficient work that the Centre was already performing. The Conference should also examine the present activities of the Centre; such examination might produce new ideas. Relations between the Centre and other international organizations should also be studied, with a view to reaching an effective co-ordination of all activities in the trade promotion field.

4. In general, the Conference should also pay attention to the problem of the co-ordination of official and private activities and of multilateral and bilateral efforts. A general study of real needs and available means of action would greatly facilitate any further activity. Again, lists could be drawn up of the various measures that might be taken in the trade promotion field.

5. The developing countries not only needed to increase their exports; they must receive assistance. He considered that the tendency toward a closer link between development financing and trade policy was a very significant development. His Government was about to take new budgetary measures to increase its aid to developing countries by about 25 per cent a year, thus bringing the official aid up to 1 per cent of the gross national product in the fiscal year 1974/75.

6. The Swedish delegation would therefore have no difficulty in accepting a definition of the denominator of the target in terms of gross national product. The Swedish attitude had long since been that the traditional target ignored the quality aspect of aid. A better comparison of the aid-flows from different countries would be to measure as far as possible only the aid component of the resource flows. Against this background he welcomed the establishment of a separate official target as an important step forward along the route, which, he hoped, would ultimately lead to the introduction of an aid component target.

7. The purpose of supplementary financing was to assure the developing countries that they could successfully carry out their development plans. Another of its advantages derived from the agreements to be negotiated between the proposed recipients and the administering organization. That would in fact be a direct link between the resources provided and the performances of the developing countries. During discussions on supplementary financing frequent reference had been made to measures that should be taken to stabilize commodity markets. Those two questions were complementary and supplementary financing measures were entirely consistent with market stabilization. The Swedish Government was ready to discuss possible modifications that might increase the acceptability of the scheme without jeopardizing its basic principles. He also hoped that the Conference would be able to adopt a resolution defining future measures and a time-table for their application.

8. As to tied aid, there were fears that its abolition might entail some reduction in the total volume of aid. In view of the excess costs connected with tied aid, it could, however, logically be argued that the volume of aid could decrease considerably and still leave a gain in real

volume if all credits were "untied". Obviously, in view of the substantial negative effects of that aid on the recipient countries and the minor advantages derived by the donor countries, steps should be taken to reduce or abolish the protectionist policy to which it led. To that end, the donor countries should first conclude a stand-still agreement and then start negotiations to produce a multilateral plan gradually to reduce and eventually abolish the practice of aid-tying. The plan concerned should include special provisions for the benefit of deficit countries with serious unemployment problems. A good start would be to give producers in the developing countries preferential treatment within the framework of tied aid. In this view, too, it would be more realistic to require that the proportion of "untied" aid should be fixed in terms, not of the total aid granted by a given country but of the country's gross national product.

9. As to debt-servicing, loans to developing countries should, as a consequence of the very low initial returns from infrastructural investments, be granted for some considerable time on more lenient terms than debts incurred by the industrialized capital-importing countries. To discuss only the terms of official credits would, however, be to scratch the surface of the problem. The debt burden problem was a balance-of-payments problem. Apart from servicing official credits, the speculative capital movements, the returns on private investment and the commercial debts which many times were incurred owing to lack of adequate official financial flows should also be taken into account.

10. During preparations for the Conference, special importance had been attached to trade among the developing countries themselves. Regional co-operation was, in fact, an essential complement to export promotion programmes. There were many obstacles in the way of such co-operation, but it was to be hoped that the developing countries would submit to the Conference proposals that the developed countries could support by a joint statement.

11. As regards shipping, he said that his Government could not accept any discrimination against certain flags, but, realizing the importance of shipping for the economies of the developing countries, it supported efforts to establish national merchant marines on a sound economic basis and also shippers' councils, and the improvement of port installations. The Conference could play a vital role in those fields owing to the important work already done within UNCTAD.

12. Turning to the problem of the peaceful uses of atomic energy, he said that Sweden believed that in a not very distant future nuclear explosions for peaceful purposes might well come to offer great economic advantages in certain development efforts, such as very large civil engineering projects and the exploitation of otherwise inaccessible oil, ore and gas resources. In the discussions concerning disarmament at the United Nations and at the Conference of the Eighteen-Nation Disarmament Committee, Sweden had become convinced that countries without nuclear weapons should be able to exploit such possibilities through a non-discriminatory international procedure without danger of nuclear proliferation.

13. He was also aware of the fact that the economic situation in important parts of the industrialized world

was not satisfactory. Balance-of-payments difficulties in some of the developed countries might darken the prospect of rapid results.

14. But the short-term economic problems of some developed countries must not divert attention from the long-term structural problems of the world. On different occasions the Swedish Government had maintained that the difficulties encountered in the developed economies should be tackled through selective measures and not

through a policy which would lead to a retraction of world trade and a diminished growth rate. Nor should those problems prevent the Conference from pressing forward.

15. He firmly believed that the work of UNCTAD had contributed greatly to the understanding of the basic necessity for co-operation between countries and groups of countries. That impression had been confirmed by the Charter of Algiers.

**Summary of statement made at the 43rd plenary meeting, 6 February 1968, by Mr. Paul R. Jolles,
Director of the Trade Division, Federal Department of Public Economy of Switzerland**

1. Mr. Jolles (Switzerland) said that careful preparation was the key to translating the general objectives of UNCTAD into economic reality. In that respect doubts had been expressed about the working methods employed, so he, therefore, speaking as President of the Trade and Development Board wished to indicate briefly certain trends which showed that UNCTAD had come to maturity and could operate in more favourable conditions than in 1964. First, the work of the specialized committees of the Board had achieved a higher degree of technical competence, and the same held true for the documentation prepared by the secretariat; secondly, the calendar of meetings had become more realistic; thirdly, the different bodies of UNCTAD had recognized that the mere adoption of resolutions by majority vote could not lead to tangible results, which meant that increasing importance was attached to a true dialogue; fourthly, progress in adapting working methods to the realities of economic policies had led to increased recognition of the interdependence between the efforts of developing countries to mobilize their internal resources and the external support they required; fifthly, the practice whereby different groups of member States habitually concerted their views had not obscured the fact that the economic situation of individual countries was very different and that the establishment of general percentage targets was of doubtful value; and lastly, the broad scope of UNCTAD's work had shown how essential it was that the measures taken by different groups of countries should be convergent. By continuing along those lines he thought it would be possible to fit national and international policies into an integrated programme of international co-operation.

2. The pursuit of that aim would be facilitated by an important change in the attitude of the developing countries, which had now recognized that the primary responsibility for development rested with themselves. In the Charter of Algiers they had expressed their determination to contribute to one another's development. Exchanges of experience would be most valuable, but it should be realized that increased participation in world trade could only be successful to the extent that industrialization did not take place within closed markets. It had also to be recognized that reforms of economic structure still encountered difficulties in many developing countries and that in order to narrow the gap with respect to the industrialized nations an urgent attempt must be made to

achieve the objectives outlined by the Secretary-General of UNCTAD in his introductory statement at the 39th meeting (see TD/62).

3. Speaking as representative of Switzerland, he went on to summarize his country's position. Switzerland was aware of the importance of an active and highly qualified labour force and of the need for rationalization and specialization of production. One-third of Switzerland's national income was derived from foreign trade and invisible transactions. Consequently, his country fully appreciated the necessity for the developing nations to improve their economic structures in order to increase export earnings. His country's prosperity was the result of private initiative and it therefore considered that the tightening of the links between the Swiss private sector and the developing countries was of primary importance. Private investment was one of the most efficient means of supplying capital, technology, and commercial and managerial skill. In that connexion he wished to warn against according excessive tariff or quota protection to new industries, since free competition was the best means of encouraging high productivity and efficiency. In accordance with its convictions, the Swiss Government had granted fiscal incentives to stimulate the flow of private capital and had concluded bilateral agreements with a number of developing countries for the protection of investments. It had also signed the IBRD Convention for the Settlement of Investment Disputes between States and Nationals of Other States. For their part, the developing countries should endeavour to promote a climate of confidence based on the principle of law, stability and continuity. In that connexion he considered that the Stikker report (TD/35/Rev.1)⁶⁶ contained a number of practical suggestions which deserved careful consideration.

4. His Government also recognized the importance of public aid, but wished to stress that the only criterion for judging the value of aid was its efficiency and its multiplier effect on the economies of the developing countries. The Swiss Parliament had granted a number of bilateral loans and in 1967 had approved Switzerland's partici-

⁶⁶ *The Role of Private Enterprise in Investment and Promotion of Exports in Developing Countries* (United Nations publications, Sales No.: E.68.IID.9).

pation in the Asian Development Bank. Although it was not a member, his country had authorized a loan of 52 million Swiss francs to IDA free of interest and for a duration of fifty years.

5. Switzerland did not protect its industries by quantitative import restrictions. Tariffs were low and in the agricultural sector almost half of all requirements were covered by imports. The Swiss Parliament had just approved the results of the Kennedy Round, involving an average tariff reduction for products from the developing countries practically identical to the reduction for products from the industrialized countries. Furthermore, his country had also decided to apply immediately the full tariff reduction on a number of products of special interest to developing countries. Finally, the Swiss Parliament had approved in 1966 a substantial increase in the budget for technical co-operation.

6. Referring specifically to the agenda (TD/61), he emphasized the importance of diversification in order to increase and stabilize the export earnings of the developing countries. Such problems should be examined by the Conference in the general context of industrialization, taking due account of the activities of UNIDO. An attempt should be made to determine how bilateral and multilateral financing could best be used to achieve diversification, not excluding the possibility of financial mechanisms with regard to commodity agreements. Attention should also be paid to the possibility of encouraging economic co-operation and integration between the developing countries. The pooling of internal and external resources and the promotion of trade among developing countries would favour rationalization and produce dynamic effects. Switzerland would be willing to consider channelling its financial aid to members of regional grouping through specially created financial institutions.

7. His country was aware of the particular interest of the developing countries in special tariff concessions to encourage the export of their manufactured goods to the developed countries. It was willing to envisage such a

scheme on the understanding that it would lead to future tariff negotiations on a world-wide basis. Any future negotiations would have to consolidate the benefits derived from temporary preferences, a system of general preferences granted by all advanced countries to all developing countries should gradually replace existing preferences. He hoped that an examination of those questions could start immediately so that the Governments of all countries could prepare themselves for a final decision.

8. In the field of commodities, the Swiss delegation regretted that the negotiations on cocoa had not yet been concluded and hoped that the International Coffee Agreement could be successfully renewed. The product-by-product approach should be continued although it might also be useful to examine in a more general way those questions which were common to several commodities.

9. With regard to supplementary financing, he shared the views expressed by the Secretary-General of UNCTAD and agreed with the proposals of the IBRD concerning a "policy package"⁶⁷ which would establish a link between the financial efforts of the developed countries and the discipline required of the developing nations. As for indebtedness, the aim should be to prevent acute payments difficulties. It was essential to adapt credit policies to the economic conditions prevailing in the beneficiary countries. The idea of a general information system on a country-by-country basis might be worth exploring.

10. In conclusion, he expressed the view that UNCTAD's basic task was to initiate concrete negotiations which could then be finalized by *ad hoc* meetings of plenipotentiaries convened either under its authority or by such bodies as GATT or the Bretton Woods institutions.

⁶⁷ See *Supplementary Financial Measures — a Study requested by the United Nations Conference on Trade and Development, 1964* (International Bank for Reconstruction and Development, December 1965), p. 9.

**Statement made at the 55th plenary meeting, 12 February 1968,
by Mr. Zouheir Khani, Minister of Economy and Foreign Trade of Syria**

1. Mr. Khani (Syria) referred to the increasing difficulties confronting the developing countries: deterioration of the terms of trade, stagnation, and even decline, of their levels of living, and inability to accumulate the capital needed for industrial development. One of the main reasons for those difficulties was that the developing countries, having long suffered from colonialism, were now suffering from neo-colonialism, which continued in a disguised manner to exploit their resources, systematically hamper their development, prevent them from forming groups with a view to joint planning of their production, impose the use of foreign currency, act in such a way, following a carefully worked out credit policy, that their debt-servicing burden became so heavy as to wipe out the capital inflow and directly or indirectly create political conditions that obliged them to devote the bulk of their budgets to defence.

2. A solution to those evils was urgently needed. The first condition for all development or progress was the establishment of a national industry: the age of monopoly was past, and the example of socialist countries provided a striking lesson, since they had been able by means of centralized planning to attain a high growth rate and establish their economies on a solid industrial and technological basis. It was also essential for the developing countries to join together in groupings, above all at the regional level. Certain experiments had already been made in that field, in Africa, Latin America and the Arab countries, and more recently between India, the United Arab Republic and Yugoslavia, but it had to be admitted that the results obtained thus far had been below expectations. The developing countries should in addition encourage their trade with each other by reducing taxes and other barriers as far as possible and conclude agree-

ments among themselves, within the framework of a common payments policy, to improve the terms of trade. Lastly, if a general agreement on preferences proved impossible, they must agree to fix at an equitable and remunerative level the prices of the commodities they exported to the developed countries and grant each other preferences that would enable them to meet the competition from the developed economies in the field of raw materials, agricultural products and semi-manufactures.

3. The Syrian Arab Republic had established economic relations with the socialist countries on a new basis. These countries provided Syria with economic and technical assistance and credit facilities on very easy terms as regards interest rates and the periods and methods of repayment. The USSR, the People's Republic of China and the German Democratic Republic were participating in various projects included in Syria's second five-year plan.

4. In the Charter of Algiers the developing countries had formulated a number of claims: the developed countries must understand that all the developing countries were doing was to press for recognition of their rights.

They were asking for the stabilization of commodity prices at an equitable and remunerative level, freer access for their exports to the markets of the developed countries and, where their products were in competition with those of the developed countries, the allocation of a certain percentage of the consumption of those countries. In addition, the developing countries considered that the conditions governing the aid given them should be improved, that the questions of liquidity and supplementary financing should be settled as soon as possible and that the Special Drawing Rights facility of IMF should not only be put into effect but should be applied in a more liberal manner than was at present contemplated.

5. He concluded by saying that his delegation regretted that the Conference was not being attended by such large countries as the People's Republic of China, the German Democratic Republic, the Democratic Republic of Vietnam and the Democratic Republic of Korea, while Governments were represented at the Conference whose colonialist, racist and expansionist policies were a defiance of the United Nations Charter and a constant threat to the developing countries.

**Summary of statement made at the 42nd plenary meeting, 5 February 1968,
by Mr. Sunthorn Hongladarom, Minister of Economic Affairs of Thailand**

1. Mr. Hongladarom (Thailand) stressed the importance which his Government attached to the Conference and expressed the hope that the international co-operative efforts to solve the problems of trade and economic development at a critical juncture in the history of mankind would prove fruitful. It was the duty of all countries to prepare a global development strategy and to take concerted action to achieve economic development.

2. The problem of supplementary financing was of vital importance to the developing countries and the plan submitted in that connexion by the Secretary-General of UNCTAD in his report ought to be adopted.

3. Thailand fully supported the Charter of Algiers and hoped that it would provide a basis for discussions and negotiations. The delegation of Thailand was seriously concerned at the continued deterioration in the prices of most primary commodities in world markets, a deterioration which was responsible for the slow growth in the export earnings of the producing countries. To rectify that situation, it was essential to improve market access for the products of the developing countries, to conclude price stabilization agreements and to work out a programme for the diversification of production.

4. In regard to measures for improving access to markets, the Conference should adopt a programme involving not merely the observance of the "standstill" principle⁶⁸ but also the gradual removal of all restrictions applied by

the developed countries to primary commodities and semi-processed products coming exclusively from developing countries.

5. The best method of stabilizing commodity prices was to conclude adequately financed buffer-stock agreements on a commodity-by-commodity basis. The financial resources would have to be found by the international institutions and the developed countries.

6. The exports of the developing countries still did not form a sufficiently large part of world trade in manufactured and semi-manufactured products. The Conference should persuade the developed countries to give access to their markets and to accept the principle of granting non-reciprocal and non-discriminatory preferences in favour of the manufactured and semi-manufactured products of the developing countries.

7. Finally, in view of the decline in the rate of transfer of capital to the developing countries and the alarming increase in their indebtedness, the Conference should pave the way for a specific agreement to enable the developing countries to secure a greater flow of long-term capital on more favourable conditions. In that connexion, the developing countries should benefit to a greater extent from the facilities of IMF and early agreement should be reached on the scheme of supplementary financing along the lines proposed by IBRD.⁶⁹

⁶⁸ See *Proceedings of the United Nations Conference on Trade and Development*, vol. 1: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 29.

⁶⁹ See *Supplementary Financial Measures — A study requested by the United Nations Conference on Trade and Development, 1964* (International Bank for Reconstruction and Development, December 1965).

8. It was true that economic development depended primarily on the efforts of the developing countries, but the policy adopted by the developed countries in regard to trade and financing would also play a decisive part. A

global strategy of development, involving both regional and international co-operation, would enable the developing countries to raise their standards of living and that would also benefit the economies of the developed countries.

Summary of statement made at the 61st plenary meeting, 15 February 1968, by Mr. Prosper Anani Placktor, Technical Adviser in the Ministry of Commerce, Industry, Tourism and the Plan of Togo

1. Mr. Placktor (Togo) said that the hopes raised by the first session of the United Nations Conference on Trade and Development had come to naught, and the first task of the second session, in his view, was to find out why.

2. Since 1964, the terms of trade for the developing countries had continued to deteriorate, and commodity prices had not been stabilized, so poor countries had become even poorer, and the modest 5 per cent global growth rate fixed for the United Nations Development Decade (general Assembly resolution 1710 (XVI)) had not been reached.

3. As to commodities, no agreement consonant with the final Act of the first session of the Conference⁷⁰ had been signed over the last four years. The sugar negotiations were still not concluded, and the 1962 International Coffee Agreement had not yet been renewed.

4. Long-term prospects for cocoa, a commodity of particular interest to Togo, were not hopeful. Even though technical and financial problems raised no political difficulties, goodwill was lacking on the part of some important consumer countries. Those countries had been unable to resist the pressures of business circles which were drawing a substantial income from their parasitic activities. So the cocoa negotiations had come to nothing, and it had been found that the country most opposed to an agreement was precisely the one that, wishing to take advantage of low cocoa price, had asked for high prices when the wheat agreement was renewed, being itself a wheat producer.

5. The same lack of international solidarity was to be found in financial assistance where the loan system was spreading, imposing on the borrowing countries a debt-servicing burden they could often no longer bear. Although after the first session of the Conference the group of agencies of IBRD had not applied the criterion of fair geographical distribution to their loans, it was nevertheless gratifying to note that the principle of fair distribution could be more or less counted upon. Again, the poor state of the international money market had raised the cost of capital, while the balance-of-payments difficulties of certain developed countries prevented IDA from rebuilding its reserves.

6. Despite the recommendations of the first session of the Conference, the practice of tied aid had continued to spread, and lending countries gave financial assistance

with political and economic strings that were often strict and hampered the freedom of action of the borrowing countries. For that type of aid, lenders could ask for monopoly prices which, according to the estimates of the UNCTAD secretariat, were approximately 35-50 per cent higher than the lowest market prices.

7. Moreover, preoccupied as they were with the financial profitability of projects, financial agency technicians sometimes lost sight of the idea of economic and social profitability and forgot that it was not possible to apply to developing countries the same profitability standards as to the industrialized countries. For example, when it was proposed to build a road, the bilateral and multilateral financial institutions would ask how many vehicles would use it, although the results of such an investment could, as had been the case in Togo, for example, go well beyond the specialists' forecasts and bring about the agricultural and social development of the whole region served by the road.

8. The growth in the volume of financial aid granted to the developing countries, far from reaching the objective of 1 per cent of the gross national product, was diminishing alarmingly, and there again the idea of international solidarity had not been accepted unanimously. The same could be said of the invisibles sector: the freight rates of regular shipping lines were steadily increasing, to the detriment of the developing countries, which were also suffering from fluctuations in the prices of their exports, particularly of primary commodities.

9. Because a political desire to help the developing countries was lacking, and because the industrialized countries needed to devote a large proportion of their resources to armaments, the decisions of the first session of the Conference could not be implemented; but it must also be admitted that some developing countries were not taking advantage of the chances they had, either because they had not the necessary personnel, or simply through negligence.

10. Where commodities were concerned, results could only be obtained through intergovernmental action in the form of agreements and understandings based on the various well-tried market organization methods. On that principle — after the cocoa agreement which should be concluded as soon as the New Delhi Conference was over — negotiations should be started on such commodities as sugar, rubber and oilseeds.

11. Considerable progress had been accomplished on manufactures. One developed country, Australia, had taken practical steps to open up its markets to finished and semi-finished products from the developing countries,

⁷⁰ *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.ILB.11).

and the United States of America and other countries had publicly stated their readiness to follow suit. Others had declared themselves ready to give up the reverse preference system. Those results should be placed to the credit of the first session of the Conference.

12. The developing countries had come to the second session of the Conference better prepared than they had come to the first. After drafting the Charter of Algiers (TD/38), they had sent goodwill missions all over the world to explain its contents and spirit to Governments, and the welcome given those missions augured well for the results of the New Delhi Conference. However, the developing countries were suffering from political and economic growing pains, and the developed countries themselves were up against difficulties that were forcing them to take economic and financial measures that were bound to impede efforts towards international co-operation.

13. His country expected the second session of the Conference to work out ways and means of accelerating the action already begun on commodities and of opening

up the markets of the developed countries to finished and semi-finished products from the developing countries. As to financial aid, Togo hoped that the principles at present observed would be reformulated in a spirit of co-operation and international solidarity. The Conference should also help the under-privileged countries to abandon their national self-centredness in favour of highly promising regional integration.

14. In conclusion, he said that his country had no intention of giving up the advantages it derived from its association with EEC⁷¹ before the publication of the conclusions of the country-by-country and commodity-by-commodity studies that the Group of 77 had requested from the Secretary-General of UNCTAD and the regional groups (see TD/38, part two). At all events, it must be assured that it would have at least equivalent advantages in return.

⁷¹ See Convention of Association between the European Economic Community and the African and Malagasy States associated with that Community, signed at Yaoundé on 23/7/1963.

**Summary of statement made at the 55th plenary meeting, 12 February 1968,
by Mr. W. Andrew Rose, High Commissioner for Trinidad and Tobago in the United Kingdom**

1. Mr. Rose (Trinidad and Tobago) said that the modern world would have been spared the serious economic imbalance from which it was suffering if some small percentage of the annual profits yielded by the developing countries during the past two centuries had been re-invested in those countries. The only way to remedy the present situation was, therefore, to repatriate some of those resources of which the developing countries had so long been deprived. That was, generally speaking, what the Conference was about.

2. It was not a question of the developing countries confronting the developed countries. They only wished to voice their legitimate aspirations in an atmosphere of harmony. Too often those aspirations were frustrated by policies which, it was to be feared, might end, as Mrs. Gandhi had pointed out at the inaugural ceremony, in violence.

3. His country, which was small and had always tried to rely first on its own resources, urged the Conference to pay particular attention to what he called the "micro-economies". He stressed the difficulties encountered by those small countries, whose development suffered from a certain economic distortion due to historical factors. They were facing extremely complex problems.

4. For instance, their output was too small to influence world markets and, lacking an internal market to support industrialization, they had no option but to develop export-oriented industries from the outset. They had found it hard to attract the necessary foreign capital and had been obliged to agree to more onerous conditions than the large countries. Their projects were inevitably limited in scale and consequently less attractive to investors than large-scale undertakings; and the international finance bodies followed concessionary lending policies which tended to exclude the small countries from such facilities

because, owing to their very small population the *per capita* income of those countries was misleadingly high. The use of *per capita* national income as a reliable criterion in determining eligibility for concessionary loans was questionable. Further, agreements with IBRD frequently included a clause fixing a minimum size of contracts within each project. The effect could be to rule out local contractors and prevent the maximum utilization of local personnel.

5. The documentation made no mention of the special problems of small countries except in relation to agenda item 14 on trade expansion and economic integration. He hoped that greater attention would be given to those problems.

6. Like the Nigerian and Ghanaian Governments, the Government of Trinidad and Tobago regretted the failure of the recent United Nations Cocoa Conference to produce an agreement. It was hoped that the Conference would take steps in the desired direction; also, that it would facilitate progress towards a satisfactory solution of the sugar marketing problems, through the United Nations Sugar Conference which was due to meet on 17 April. His country placed great value on the benefits it received from the Commonwealth Sugar Agreement and would be unable to support policy that might lead to any weakening of its position in the United Kingdom market or the Canadian market. His delegation supported the recommendation in the Charter of Algiers whereby the Group of 77:

"Decided to request the Secretary-General of UNCTAD and the regional groups to undertake studies, commodity-by-commodity and country-by-country, on the effect of the abolition of the special preferences in force and the steps necessary to ensure that countries which at present

enjoy such preferences receive advantages at least equivalent to the losses resulting from abolition." (TD/38, part two, section A, 2 (c)).

7. As regards manufactures and semi-manufactures, he welcomed the progress made towards reaching agreement on a system of general preferences for such products from the developing countries in the markets of the developed countries, and called attention to the need for provisions to ensure that the system did not operate in a way which harmed the legitimate export interests of the small countries.

8. He noted with pleasure that the International Trade Centre, with headquarters in Geneva, had become a joint UNCTAD/GATT body and trusted that additional resources would be made available to it.

9. On the question of shipping, he associated himself with the Indian suggestion at the 48th meeting that a study be made to identify the sea lanes between developing countries where the trade expansion potential could not be realized because of the absence or inadequacy of direct shipping services. UNCTAD should also make a study of the pattern of freight rate increases following the devaluation of the pound sterling.

10. The need for small countries to come together in regional groupings was widely accepted. Thus, Barbados, Guyana, Jamaica and Trinidad and Tobago, together

with the Associated States, had agreed to create a Free Trade Area in the West Indies by 1 May 1968.

11. No global strategy could be successful unless the problem of international liquidity was solved. That point was well brought out in the Secretary-General's report (TD/3/Rev.1).⁷² His delegation was convinced that the proposed reform should be linked to the increase in financial assistance to the developing countries. That seemed both logical and equitable.

12. The Conference had a responsibility to do everything possible to readjust the imbalance between the developing and the developed countries in respect of goods, services and capital. But liberalization of world trade must go hand-in-hand with a greater freedom of movement for the people themselves. Emigration of people from small countries to developed and other countries where greater job opportunities existed was a by no means negligible source of foreign exchange for their country of origin. Barriers to the free movement of labour on grounds of racial and/or other discrimination must be eliminated. His delegation would like to see appropriate action taken on that question within the United Nations family of organizations.

⁷² *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6).

**Summary of statement made at the 49th plenary meeting, 8 February 1968,
by Mr. Mansour Moalla, Under-Secretary of State for Commerce and Industry of Tunisia**

1. Mr. Moalla (Tunisia) said that the basics of the under-development problem were already well enough known and that he would describe the spirit in which an effort must be made to solve it at the second session of the Conference.

2. The participants in the Conference were not meeting for a settlement of accounts or a sterile confrontation. They must join in seeking effective and practical solutions, with the understanding that such solutions must lack neither imagination nor courage.

3. The prime responsibility in the struggle against under-development lay with the developing countries themselves. A necessary prerequisite of any common search for effective solutions must be that the developing countries agree to make a sustained effort and show rigorous discipline in modernizing their social structures, mobilizing their domestic resources and organizing their co-operation at the regional and sub-regional levels.

4. Turning first to the question of the modernization of social structures, he pointed out that the developing countries were still being stifled by outworn traditions and beliefs. The task to be undertaken in that field was extremely difficult, for the resistance of the populations concerned had to be overcome. An effort must none the less be made to teach them the values which had enabled developed nations to become what they were: the notion of effort, rigour and perseverance, a methodical approach to action, a sense of responsibility, a spirit of enterprise,

productivity-mindedness, etc. Those values could be instilled into under-developed populations only by means of structural reforms which must be undertaken boldly, i.e. reform of the land-tenure system; reform of economic structures, more particularly of domestic and foreign trade; reform of administrative practices and modernization of State machinery; and reform of political customs and structures.

5. Simultaneously with that modernization effort, under-developed societies must mobilize their own resources in many fields of activity: they must build cadres, press on with education and training, encourage domestic savings and the adoption of an effective and equitable system of taxation, and plan and co-ordinate all their efforts in establishing a national plan of development.

6. In order to win the sympathy and respect of the developed countries for their cause, the developing countries would also have to organize their own solidarity and harmonize their development plans at the regional and sub-regional levels. The balkanization inherited from colonization was a fact, but the developing countries could, if they so desired, reverse the trend. The efforts made in that direction, e.g. in the Maghreb countries, had been useful but had so far proved unavailing. When even Europe itself was threatened by under-development, in relation to the USSR and the United States of America, if it did not intensify its efforts at integration and unification, the Third World States might be condemned to

perpetual under-development unless they took energetic decisions in that respect.

7. Only when such conditions, which were essential for the achievement of practical solutions, had been established, would really effective results become possible whether in the field of primary commodities, manufactures and semi-manufactures, or financial aid.

8. With respect to the problem of primary commodities, temporary arrangements were doubtless called for in order to avoid deterioration of prices and it would be useful to adopt the suggestions before the Conference, especially those concerning buffer stocks. The long-term solution, however, lay in a dual effort of international harmonization of markets, as the French representative had said at the 40th meeting, and of diversification of production, particularly by means of local processing of at least some of those primary commodities.

9. The volume of the manufactures and semi-manufactures produced by the developing countries for which a preference scheme was to be worked out was still very small. Those preferences would be useful, but the range of products, their sophistication and the volume of production would remain limited unless integration or co-ordination among the developing countries enabled them to produce at competitive prices. The ideal preference scheme should respect two principles: first, maintenance of existing preferences, whose sudden elimination would aggravate the situation of the countries enjoying them without appreciably improving that of the other countries; secondly, the granting of new preferences, which might gradually be raised to the level of existing preferences, in this case to the benefit of the countries which had sufficiently integrated or harmonized their economic development plans.

10. Lastly, with respect to development financing aid, the needs were unlimited and available resources too small. It was a known fact that even if development aid amounted to 4 per cent of the gross domestic product of the developed countries, the developing countries would take more than fifty years to attain the self-development stage. What could be done in those circumstances?

11. Firstly, the flow of private investment could be increased. The United States representative had proposed at the 41st meeting that a fair code for private investment should be drawn up; the idea was sound, for that would make it possible to organize and discipline private investment and the code could be accompanied by a

system of insurance and multilateral guarantee of investments. That would be a way of considerably increasing the flow of investments if private investors did not shut themselves up in isolated micro-economies, but instead formed part of integrated economic entities affording them large market areas.

12. At the same time, military expenditure and arms allocations could be reduced. The Italian representative had mentioned his Government's generous proposals in that connexion (44th meeting). Tunisia, for its part, devoted only 7 per cent of its budget to national defence, as compared with more than 25 per cent to education. If the developed countries heeded the appeals being made to them in that regard, the flow of public capital to the developing countries could be considerably expanded.

13. Turning from the question of the volume of aid to that of its terms, he considered that the disadvantages of tied aid, of inordinate interest rates and of the excessively short length of loans must be remedied and, above all, the excessive burden of the developing countries' debts must be lightened. To that end, existing debts must be consolidated so that debtor countries should neither live in fear nor be obliged to default; thereafter the length and interest rates of loans would have to be improved so that the same problem would not constantly recur.

14. He would make a suggestion with respect to the question of supplementary financing, which was also before the Conference. Since a country which was a candidate for supplementary financing had to agree to co-operate closely with the rest of the international community in the establishment of its development plan, any country accepting that discipline should in return be given the assurance that the countries in the international community taking an interest in its development would undertake to guarantee adequate basic financing throughout the duration of the plan.

15. The already existing advisory groups of the IBRD could be improved in that sense if the developed countries represented in them could agree, after having thoroughly examined the plan with the developing country concerned, to make commitments which might, if necessary, be modified in the light of the economic situation and export trends, not for a year, but for the whole duration of the plan. That idea, if adopted, should encourage many countries to accept the discipline of modernization, progress and planning which, in his opinion, were essential if a solution to under-development was to be found.

**Summary of statement made at the 51st plenary meeting, 9 February 1968,
by Mr. Kamil Ocak, Minister of State of Turkey**

1. Mr. Ocak (Turkey) said that it was a matter for regret that the hopes aroused by the establishment of UNCTAD in 1964 (General Assembly resolution 1995 (XIX)) had not been fulfilled. In recent years, the average *per capita* income in developing countries had been increasing by only \$2 a year, while the rate of increase in developed countries had been no less than \$60 a year. The growing gap between the income and wealth of developed

and developing countries should be of great concern to the international community as a whole.

2. The second session of the Conference should not repeat the work accomplished by the first but, as agreed at the fifth session of the Trade and Development Board,⁷³

⁷³ See *Official Records of the General Assembly, Twenty-second Session, Supplementary No. 14*, part one.

seek practical solutions and concrete results by way of negotiation. In the opinion of his delegation the following conditions must be met if the Conference was to be a success. First, the developed countries should be prepared to grant concessions to the developing countries without reciprocity. They should shoulder a greater burden in supporting the development efforts of the developing countries and should be prepared to face up to their responsibilities in a world that was becoming increasingly interdependent every day. Secondly, solutions to outstanding problems should not prejudice the benefits already enjoyed by developing countries, unless the developed countries were prepared to give certain advantages in return.

3. The rate of increase in the export earnings of developing countries from primary commodities had been slowing down because the developed countries, instead of relaxing tariff and non-tariff barriers to such imports, had encouraged uneconomic domestic production of them by maintaining and, in certain cases, even intensifying their restrictive trade and internal fiscal policies. Since 1958, the average prices of commodities exported by developing countries had decreased by 7 per cent, while the prices of semi-manufactures and manufactures imported by them had increased by 10 per cent.

4. In his own country, four or five commodities accounted for more than 80 per cent of exports. Because of the adverse movement in the terms of trade, Turkey had lost a total of more than \$900 million in foreign exchange earnings between 1956 and 1965. It was clear that the prices of commodities exported by developing countries should not be left to the free play of market forces; international action was needed in order to bolster the position of the suppliers and to help stabilize commodity prices at satisfactory levels. In the course of the session, the Conference would undoubtedly draw up a list of commodities which deserved priority; his delegation suggested the list should include tobacco, fats, oilseeds, wine, citrus fruits and hazelnuts.

5. He noted that the share of developing countries in total world exports of manufactures and semi-manufactures had declined significantly during the last ten years. At the same time, the volume of trade among developed countries was increasing rapidly and would no doubt be further accelerated as a result of the Kennedy Round negotiations. Unfortunately, those negotiations had fallen short of the expectations of the developing countries, which had benefited from tariff reductions in respect of only a few export items. At present, cotton textiles, and even more so food-stuffs, were the most important export items subject to qualitative and quantitative restrictions in the markets of developed countries. He hoped that a consensus would be reached during the Conference on the main lines of a non-reciprocal preferential system which would take into account the special circumstances of all developing countries. Any measures taken to increase the export of manufactures from developing countries would at the same time call for a structural change in the production pattern of developed countries and a change in their investment policies. He hoped that during the Conference the developed countries would declare their readiness to consider a larger share for certain exports of developing countries in their home markets.

6. The situation with regard to financing continued to be very unsatisfactory; there had been a marked decline in the flow of financial resources towards the developing countries. In 1961, the total aid given by developed countries had constituted 0.82 per cent of their combined gross national income, but that percentage had declined to about 0.60 per cent in 1966. During that five-year period, the absolute increase in aid had amounted to only one-thousandth of the increase in the gross national product of the developing countries. In fact, the external public debt of developing countries had increased from \$10,000 million in 1956 to \$40,000 million in 1966. If the present trend continued, it was to be feared that the debt service obligations of developing countries might offset the entire flow of assistance to them in the years ahead. That problem was of particular importance in his own country, whose debt service obligations during the period 1968-1972 were expected to amount to one-fifth of its total export receipts.

7. The Conference, therefore, should adopt a programme of action containing three main elements. First, the volume of aid should be increased, and in addition to the 1 per cent target for gross transfers from developed countries, the Conference should adopt a separate target for net transfers from those countries. Secondly, the terms of external aid should be improved in conformity with General Assembly resolution 2170 (XXI). A certain part of development assistance should be untied so that it could be used for imports from other developing countries. Thirdly, the existing debt service burden of developing countries should be lightened by measures to consolidate their past obligations. The Conference, for example, might establish a certain ratio between the debt service burden and the export receipts of the developing countries so that when that ratio was exceeded, they could put forward a claim for appropriate action to relieve their debt burden.

8. His Government attached particular importance to trade expansion and economic co-operation among developing countries and had already, in 1964, concluded agreements with Iran and Pakistan to that end. Since economic co-operation among developing countries was a question which primarily concerned them themselves, any initiative in that direction should be taken by them. In that connexion, however, his delegation hoped that the developed countries would make available their financial and technical assistance to developing countries in accordance with the recommendations contained in document TD/B/85/Rev. 1.⁷⁴

9. Today it was generally agreed that, within a nation, the affluent segment of society should bear some responsibility for the well-being of the less fortunate. By the same token, the world seemed to have reached the stage where, at the international level, the affluent nations could be expected to assume certain responsibilities for the benefit of nations at an earlier stage of social and economic development. In view of the enormous needs of those nations and the limited resources available, it

⁷⁴ *Trade Expansion and Economic Integration among Developing Countries* (United Nations publication, Sales No.: 67.II.D.20).

was obviously necessary, as the Secretary-General of UNCTAD had rightly pointed out, to establish a global strategy of development which would define certain objectives to be attained within a certain time-limit and prescribe appropriate means for accomplishing that purpose. Lastly, he suggested that the Conference, in conform-

ity with the resolutions adopted by the General Assembly at its twenty-first and twenty-second sessions, might also contribute to the formulation of a Development Charter, which would define reciprocal obligations and rights relating to development for both developed and developing countries.

**Summary of statement made at the 54th plenary meeting, 12 February 1968,
by Mr. William Wilberforce Kalema, Minister of Commerce and Industry of Uganda**

1. Mr. Wilberforce Kalema (Uganda) said the second session of the Conference was being held at a crucial moment when disappointment, impatience and dissatisfaction were rampant. The reason why the results of the first session had been disappointing was that certain countries which had subscribed to its Final Act had since shown indifference or even opposition to its recommendations. It was to be hoped that the present Conference would not merely pass resolutions but would consider its decisions as binding commitments.

2. Owing to the trends in international economic relations, the plight of more than one thousand million people in the developing world continued to deteriorate, with the developing countries' share in total exports declining and the purchasing power derived from those exports showing a steady downward movement. The developing nations realized that the improvement of their social and economic conditions was primarily their own responsibility, but in that task they were asking for co-operation, the elimination of obsolete trade techniques and the abolition of discrimination and exploitation.

3. His country had adopted a liberal non-discriminatory trade policy. Although strenuous efforts had been made to increase the production and export of the primary commodities which constituted over 75 per cent of total domestic exports and about 40 per cent of total gross national product, the prices of those commodities had continued to fall and purchasing power to weaken.

4. Uganda had always been in favour of East African economic co-operation, and in 1967 had signed a Treaty with Kenya and the United Republic of Tanzania for East African co-operation aimed at preserving and strengthening their Common Market. Neighbouring countries were free to accede to the Treaty, and several had indicated a desire to do so. It was gratifying that the East African Community had been given inter-governmental status at the Conference. Uganda also had a practical five-year development plan setting out its economic targets up to 1971, on the basis of concurrent operations by public and private investment. Despite all those efforts, the structure and direction of their economy had not shown any significant improvement, due to factors whose solutions would require joint action by both developed and developing countries.

5. In his Government's view, commodity problems should be dealt with by international commodity agreements to be negotiated on a commodity-by-commodity basis, which should be flexible and easily adjustable to

changes in demand. Progress in discussions on cocoa and sugar had so far been disappointing, and it was to be hoped that the Conference would pave the way for agreements for those two commodities.

6. His Government believed in the liberalization of international trade by removal of all barriers, including tariff and quantitative restrictions and even internal taxes affecting the consumption of commodities. It supported a system of generalized non-reciprocal and non-discriminatory preferences for semi-processed, processed, semi-manufactured and manufactured goods from developing countries. Once that principle had been accepted by all countries, consideration could be given to points of detail, such as compensation for countries at present enjoying special preferences, and a time-table for the elimination of such barriers established.

7. On the vitally important question of shipping, his Government supported the recommendations embodied in the Charter of Algiers (TD/38, part two, section D). His delegation supported the proposal that the purchase of ships by developing countries should be financed out of normal development credits and that shipping should receive priority treatment in the allocation of normal aid funds. It hoped that the Conference would adopt measures to eliminate discriminatory practices by developed countries in the field of shipping, insurance and re-insurance and to halt the current trend of rising freight rates.

8. His Government was concerned with the volume and scope of international financing and supported the transformation of IBRD into a bank catering for the needs of the developing countries as a step of paramount importance in solving their financial problems. Supplementary financing was one of the ways of stimulating economic development, and it was to be hoped that the Conference would find a solution to any outstanding problems to enable the scheme to be launched immediately. His Government welcomed any practical measures leading to world liquidity and supported the plan for Special Drawing Rights which had been approved by IMF at Rio de Janeiro in September 1967.⁷⁵ It also

⁷⁵ Resolution 22-28 — Establishment of a Facility based on Special Drawing Rights in the Fund and Modifications in the Rules and Practices of the Fund, adopted on 29 September 1967 by the Board of Governors of the International Monetary Fund in joint session with the Boards of Governors of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association (see IMF, *Summary Proceedings, Annual Meeting, 1967*, pp. 271-279).

wholeheartedly supported the recommendation made in the Charter of Algiers that the creation of liquidity under the scheme should be linked with development aid (TD/38, part two, section C, 7 (b)), and considered that terms of aid should be more directly related to economic circumstances. It suggested that where bilateral aid or loans were tied to imports from donor countries, repayment should be effected in exports by the recipient countries. To enable developing countries to plan their use to aid within the framework of national development plans, donor countries should indicate the amount of aid likely to be made available during the given period, and a portion should be used to cover local costs.

9. In view of the increasingly onerous terms and conditions of development finance, the increase in tied loans and decrease in grants, the Conference should adopt the recommendations set out in the Charter of Algiers to improve the terms of aid to developing countries. He welcomed the promises made by developed countries to replenish the resources of IDA.

10. His delegation intended to take an active part in the discussion of the special problems of land-locked countries and the special measures to be taken in favour of the least developed countries, and hoped that the Conference would find appropriate solutions.

11. It agreed on the need for constructing global strategy of development and drawing up an integrated programme of international co-operation but considered that after developing countries had done their best to improve their lot, further action should be taken by the developed countries. The resources at present utilized in exploring outer space could be largely re-directed towards narrowing the gap between the "haves" and the "have nots". The poor had lived in poverty so long that their will to persevere was at its lowest ebb, and the developing world was looking forward to the results of the Conference in faith and hope. If the course of history was to be changed, there must first be a willingness to co-operate. That was the reason for his country's objections to South Africa's participation in the Conference, for a régime which did not allow the people of its various races to co-operate on an equal footing was hardly likely to promote international co-operation in trade and development. It was to be hoped that South Africa would be absent at the third session of the Conference.

12. With the peace of the world threatened by perpetual poverty, the Conference could not afford to be content with passing resolutions and agreements on principles but must be firm in its determination to translate goodwill into action.

**Summary of statement made at the 54th plenary meeting, 12 February 1968, by Mr. B. G. Tsomaya,
Vice-Chairman of the State Planning Commission of the Ukrainian Soviet Socialist Republic**

1. Mr. Tsomaya (Ukrainian Soviet Socialist Republic) submitted that in the four years which had elapsed since the first session of the Conference there had been ample time to draw conclusions with regard to the status of international economic co-operation and to formulate measures by which it could be improved. The documentation prepared by the secretariat, the Charter of Algiers (TD/38) and the statements made by many delegations bore witness to the unsatisfactory situation as far as implementation of the principles and recommendations⁷⁶ of the first session of the Conference was concerned. Not all members were upholding those principles and implementing those recommendations. The socialist countries were striving, on the basis of those principles, to use international trade and economic co-operation as instruments for the acceleration of the economic and social progress of all countries and peoples and for the strengthening of world peace. A number of the industrialized capitalist countries, however, had not yet taken effective measures to implement the recommendations or remove the artificial barriers placed by them in the way of international economic co-operation. It was to be noted in that connexion that certain socialist countries which occupied an important position in world trade, such as the German Democratic Republic, were still excluded from the work of UNCTAD. The world political situation, characterized by the strengthening of the forces of imperialism and

in particular the tension caused by United States aggression in Viet-Nam, had had an adverse effect on efforts to implement the recommendations of the first session of the Conference. His country knew from its own experience in the Second World War what it was to be the victim of aggression.

2. As noted in General Assembly resolution 1995 (XIX), one of the principal functions of the Conference would be to promote international trade, especially with a view to accelerating economic development. That resolution also dealt with international trade in general, including trade between countries with different economic and social systems. Since economic relations between States constituted links in a single chain, the artificial obstruction of normal economic exchanges in respect of one link inevitably affected all the others. For that reason, the artificial barriers imposed by a number of States on East-West trade had the effect of retarding economic development in general. It was sometimes stated that the solution of problems relating to trade between East and West were of interest only to the socialist countries and that it was therefore unnecessary for UNCTAD to study those problems. Yet experience had shown that the problems created by discrimination on the part of one group of States did not affect that group alone. Moreover, the discrimination practised in East-West trade was dictated by political rather than economic considerations. To overcome the problems created by such discrimination, measures would have to be taken not on a regional but on a world scale. That was one of the main problems faced by the second session of the Conference.

⁷⁶ *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

3. Some of the most important recommendations of the first session of the Conference concerned the need to increase access to the markets of the industrialized countries for the manufactures and raw materials of developing countries. Unfortunately, those recommendations had not been implemented. The prices of raw materials had not been stabilized and the barriers to the export of manufactures from developing to developed countries had not been removed. Trade between the developing and the socialist countries, on the other hand, had become one of the most active sectors of the world economy, as the Secretary-General of UNCTAD had noted, and the prospects were that it would continue to expand, particularly where exports of the developing countries' manufactures were concerned. The agreement for the purchase by the USSR of railway wagons and other manufactures from India was a case in point. If that trade was to expand further, it would of course be necessary for the developing countries to apply with respect to the socialist countries trade conditions no less favourable than those applied in respect of the capitalist countries.

4. Much had been said about the difficult financial situation in which the developing countries found themselves, and its adverse effects on their possibilities for economic development. The main reason why they were experiencing difficulty in obtaining funds was that the Western monopolies extorted vast sums from them in the form of profits on capital investment. It was obvious that the economic progress of the developing countries was directly dependent on finding an equitable solution to the problem of the outflow of capital.

5. Another very serious problem faced by the developing countries in their efforts to establish independent economies was the lack of qualified personnel to implement economic and cultural development plans. That defi-

ciency, like the backwardness of their economies in general, was a result of the policy of the colonial Powers. The socialist countries, including the Ukrainian SSR, were constantly increasing their assistance to the developing countries in solving that problem. He cited a number of examples of the ways in which the Ukraine was training nationals of developing countries, who then went home to give their own people the benefits of what they had learned. Some of the capitalist countries, on the other hand, were luring away, through the process known as the "brain drain", specialists whose services were sorely needed by the developing countries and in whose training those countries had made a heavy investment. Furthermore, the technical assistance which the capitalist countries extended to the developing countries for the training of specialists was actually used by them for their own advantage.

6. His country could appreciate the problems of the developing countries, for only fifty years ago it had itself been a predominantly agricultural country with an economy dominated by foreign capital. The development of that economy had not been directed towards meeting the needs of the people, who had suffered from poverty and illiteracy and had been deprived of the exercise of their rights. Since the advent of the Soviet régime the Ukraine, through the efforts of its own people and with the co-operation of the other peoples of the USSR, had taken its place among the most advanced countries of the world.

7. The second session of the Conference should base its work on the recommendation of the first session, particularly the principles governing international trade relations and trade policies conducive to development. On the basis of those principles measures should be formulated and applied which would accelerate the consolidation of the economic independence of the newly emerging States.

**Summary of statement made at the 46th plenary meeting, 7 February 1968, by Mr. N. S. Patolichev,
Minister for Foreign Trade of the Union of Soviet Socialist Republics**

1. Mr. Patolichev (Union of Soviet Socialist Republics) said that his delegation was hopeful that the present session would contribute to increased co-operation among nations on the basis of equality and mutual benefit and that it would facilitate the participation of all countries in world trade and economic relations, free from discrimination and restrictions. Unfortunately, the Conference was being held at a time when continued United States aggression in Viet-Nam was not only menacing world peace but was also hampering the normal development of international trade and shipping. The United States representative had expressed the view that the Conference was not a proper forum for discussing that matter, but he could not accept that view. Surely, it was clear to all peace-loving nations that solutions of the problems of trade and development required earliest normalization of the entire international situation and the cessation of all aggressive action.

2. UNCTAD's work was being further hampered by the fact that it had not yet become a genuinely universal

organization. At the first session of the Conference in 1964, his delegation had raised the question of the participation of the German Democratic Republic in UNCTAD and it now wished to do so again. In his opinion, the fact that that State, which was one of the ten leading industrial countries of the world and had already established close economic ties with many countries including developing countries, was not yet a member of UNCTAD could not be regarded as normal. Such a situation seriously damaged the prestige of UNCTAD and he maintained that the German Democratic Republic should take its rightful place among the members of the Organization.

3. At the first session of the Conference, the overwhelming majority of the participants had agreed on certain new and just Principles aimed at ensuring equality of States in international economic relations. Those Principles included important stipulations concerning non-interference in the internal affairs of other countries; they condemned all discrimination on the basis of differences in socio-economic system and they confirmed the right

of every State to trade freely with other States and to dispose freely of its national resources.

4. Unfortunately, it could not be said that there had been any profound changes in the international climate of economic co-operation since the first session of the Conference. Many progressive principles of economic relations had not yet become a norm of mutual relations among all countries. The present state of international trade was arousing serious concern. The state of world commodity markets, especially those of the developing countries, was deteriorating, a situation which was reflected in commodity prices, in balances of payments and in the growing instability of the international monetary system. In the opinion of his delegation, the roots of those difficulties were to be found mainly in the delay in implementing, or the failure to implement, the recommendations made by the first session of the Conference on the part of a number of Western countries which had recently introduced measures adversely affecting the foreign trade of developing countries.

5. In that connexion, it should be noted that the Kennedy Round, in spite of the promises made during those negotiations, had failed to bring any tangible results for the developing countries and that, as stated in the Charter of Algiers, those results had, in fact, intensified the "implicit discrimination in tariff policies" against those countries (see TD/38, p. 4). In addition, persistent attempts were still being made to diminish the importance of UNCTAD and to transfer the consideration of vital economic problems to other bodies which lacked the necessary authority and competence.

6. One speaker had expressed the view that, in opposition to the integration of the developing countries, a parallel integration of developed countries was taking place, without regard to their ideological and social systems. As the representative of a socialist country, he must deny that allegation. In the present age of scientific, technical and social progress, it was of the highest importance that there should be a fair international division of labour which could benefit all States. But a prerequisite for that was the implementation of the decision of the first session of the Conference that there should be no discrimination in international trade on the basis of differences in socio-economic systems (General Principle Two).⁷⁷ He pointed out that at that time, the socialist and developing countries had succeeded in drafting mutually acceptable recommendations for the promotion of trade and economic relations between them.

7. In the United Nations, and in UNCTAD in particular, his delegation, together with other socialist delegations, had consistently called for concrete measures to normalize trade relations between the socialist and developed capitalist countries. His delegation maintained that the Western countries should remove quantitative and other restrictions on imports from socialist countries, that those countries should abolish prohibitions and limitations in respect of the export of goods to socialist countries and that the countries of East and West should base

their mutual trade relations on the most-favoured-nation principle. The possibility of co-operation between those groups, however, was far from being fully realized because of serious and artificial obstacles. The widely advertised liberalization of the trade policy of a number of Western countries had not, in fact, brought about any fundamental changes in the direction of removing discrimination in trade with socialist countries. The normalization of East-West trade should promote the further development of international trade as a whole.

8. His delegation had repeatedly stated that the trade policy of closed economic groupings of developed capitalist countries, and in particular that of the European Common Market, was a serious barrier to the development of world trade on a free and mutually beneficial basis. That policy was openly discriminatory and adversely affected the interests of various groups of both socialist and developing countries. In fact, socialist States often appeared to be the object of specific discriminatory measures.

9. His delegation viewed with sympathy the proposals for the development of economic ties among the developing countries themselves, since those proposals were aimed at strengthening their political and economic independence.

10. The peoples of the Soviet Union had recently celebrated the fiftieth anniversary of the Great October Socialist Revolution. During those fifty years, his country had emerged as an advanced industrial power thanks to the efforts of the Soviet people, who had chosen the socialist path of development. In the light of its experience, the Soviet Union was firmly in favour of promoting economic co-operation with all interested countries. Its economic ties with the socialist States were based on the principles of equality, mutual advantage and fraternal assistance. With regard to the developing countries, the Soviet Union had done its best to implement the recommendations of the first session of the Conference, and its trade with those countries had increased by more than 35 per cent between 1963 and 1967. During the last three years, the Soviet Union had increased its purchases of both commodities and manufactures and semi-manufactures. In its trade relations with developing countries, it was the Soviet Union's practice to conclude agreements which provided for specific programmes, and it had signed long-term agreements with the United Arab Republic, India, Pakistan, Iran, Afghanistan, Syria, Sudan, Cyprus, Morocco, Brazil, Chile and other countries.

11. He noted with satisfaction the growth in trade between his country and India and pointed out that an agreement had just been reached to the effect that both countries should seek new ways of co-operating in trade. For instance, the Soviet Union intended to buy railway wagons in India and would shortly sign substantial contracts for the purchase of other industrial goods.

12. He wished to stress that the Soviet Union provided economic and technical assistance to developing countries in order to promote their national economies and not to exploit them.

13. His country supported the proposals contained in the Charter of Algiers to establish a new and just interna-

⁷⁷ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 18.

tional division of labour, to eliminate the aftermath of colonial domination and to create independent diversified national economies. He agreed that the primary responsibility for their development rested with the developing countries themselves. The winning of political independence had not solved all problems and great efforts were still needed, in particular radical economic and social changes.

14. World commodity markets were still largely governed by international monopolies. Exports of commodities from the developing countries ran into tariff barriers imposed by the advanced capitalist countries, and he supported the proposal that those barriers should be removed. Unfortunately, the programme for the improvement of international commodity agreements drawn up at the first session of the Conference had not been realized because of the negative attitude of certain importing countries. The Soviet Union, on the other hand, had followed the recommendations agreed upon in Geneva at the first session and had considerably increased its imports of commodities. His country pledged itself to continue that policy. The stabilization of the world commodity trade remained the primary task of UNCTAD and the Soviet Union would co-operate in that work both by concluding international commodity agreements and by bilateral measures. His country was willing to conclude commodity stabilization agreements on cocoa, sugar, oil-seeds, vegetable oils, cotton, citrus fruits, bananas, lead, zinc, petroleum, copper, iron and manganese ores and hard fibres.

15. With regard to the export of manufactures and semi-manufactures, he thought it natural that the developing countries should insist on receiving preferential treatment from the advanced capitalist countries without reciprocity. The Soviet Union had implemented the recommendations of the first session of the Conference and increased its purchases of such goods under a number of trade agreements. His country would continue to purchase manufactures and semi-manufactures from the developing countries, in particular in repayment of credits

for the construction of enterprises built with Soviet assistance. It also intended to expand other forms of co-operation, but thought it essential that its partners should collaborate by granting the socialist States conditions that were not less favourable than those granted to the capitalist countries. He fully agreed with the view that the main reason for the economic backwardness of the developing countries was the plundering of their resources by the colonial Powers and the continuing exploitation by monopolies. He therefore regretted that in presenting their recommendations the developing countries had not always distinguished between the socialist and the capitalist nations, placing both in one common group of "rich" countries.

16. The growing external debt of the majority of developing countries resulted both from unfavourable conditions on world markets and from the hard terms imposed for financial aid by the capitalist states and the international lending institutions. He therefore supported the developing countries' demand that capitalist countries increase the volume and improve the terms of economic and financial aid for development. In particular, he thought the Conference would be justified in proclaiming the right of the newly independent States to receive compensation for the damage suffered by their economies during the period of colonial dependence. He also supported the recommendation of the Charter of Algiers that there should be no discrimination against the public sector of national economies (see ID/38, p. 14).

17. The Soviet Union had repeatedly drawn attention to the serious shortcomings of the present international monetary system. The recent financial crisis had shown the need to normalize the situation and he considered it urgently necessary to carry out a comprehensive study of the whole problem.

18. In conclusion, he stated that the success of the Conference would depend on whether methods could be found to implement immediately the basic decisions taken at the first session.

**Summary of statement made at the 46th plenary meeting, 7 February 1968,
by Mr. Abdel Moneim Kaissouni, Minister of Planning of the United Arab Republic**

1. Mr. Kaissouni (United Arab Republic) said that since the first session of the Conference, except for the establishment of the UNCTAD machinery, no significant progress had been achieved in implementing the resolutions and recommendations of that session. Some developed countries had introduced measures which ran counter to the basic philosophy and principles adopted by the first session, and the economic position of the developing countries had been deteriorating on almost all fronts. They had not been able to achieve the minimum annual growth rate of 5 per cent adopted by the United Nations General Assembly for the United Nations Development Decade in resolution 1710 (XVI); their share in world trade had fallen from about 25 per cent in 1955 to 19 per cent in 1966; their terms of trade had suffered a

decline and were worse than at the beginning of the Development Decade; positive steps had not yet been taken to secure "remunerative, equitable and stable prices" for primary products such as rubber and cocoa; nor had any improvement taken place with respect to ensuring freer access to markets of developed countries of exports of developing countries.

2. The establishment of a system of generalized preferences for the export of manufactures from developing countries was still under prolonged discussion and consideration, though reference should be made to the limited preferential system introduced by Australia and to the recent decision by OECD; and the flow of financial resources from developed to the developing countries had never yet reached the 1 per cent target; on the con-

trary, it had declined from 0.87 per cent of the gross national product of the developed countries in 1961 to 0.62 per cent in 1966.

3. There had been a marked deterioration in the terms of financial collaboration with developing countries. Grants and soft loans had decreased, while tied loans had increased. Interest rates had become unduly high and the period of repayment too short. The resources of IDA had been depleted and, as a result, the financing of development had become more and more onerous.

4. In many developing countries, the ratio of debt service burden to export receipts had grown to 15 and even 20 per cent. It had been estimated by the UNCTAD secretariat assuming a continuation of lending on present average terms, that if the volume of gross lending to developing countries were maintained constant at its current level and on current terms, net lending would fall nearly to zero by 1975 and turn negative thereafter.

5. The compensatory financing facility offered by IMF fell short of the needs of developing countries, and a scheme of supplementary financing had yet to see the light. In addition, it had not yet been sufficiently recognized that the reform of the international monetary system was the joint responsibility of both developed and developing countries.

6. The international food problem had reached alarming proportions. The stagnation of food production in developing countries coupled with the rapid increase in their population had resulted in the aggravation of the problem of hunger and malnutrition throughout the Third World.

7. No success had been achieved in securing the widest possible agreement on the principles governing international trade relations and trade policies conducive to development. No forward action had been taken to make the Conference really universal; some trading partners were still excluded from the trade discussions.

8. The problems faced by the developing countries in regard to maritime transport had yet to be faced with a sense of equity, realism and international solidarity. The urgent need for international shipping legislation should receive serious attention at the Conference.

9. If, as now seemed probable, the Development Decade turned out to be a decade of frustration that was largely because it was "a development decade without a development policy". That dictum perhaps pointed a way out of the impasse. It was not sufficient merely to set targets; it was necessary to design concrete policies, firm commitments and agreed time-tables. The Conference was fortunate in having before it the Charter of Algiers, which constituted the programme of action unanimously agreed upon by the Group of 77 and formally presented to the General Assembly and the Secretary-General of the United Nations.

10. He ventured to enumerate some of the urgent steps which should be taken at the Conference: it was necessary to agree upon the principles to be embodied in the various commodity agreements and to establish a time-table for such agreements as those on cocoa, rubber, sugar, etc.,

which ought to be finalized and concluded before the third session of the Conference.

11. On the question of preferences there had been a favourable shift in the views of the developed countries. Some countries which at the first session of the Conference had opposed any reference to preferences in the Final Act, were now willing to accept them. That was an encouraging development, which showed that perseverance, careful presentation and sound explanation could bring agreement on subjects that at first sight appeared controversial. It was imperative that the remaining differences should be settled, so that a favourable system of preferences could be implemented before the third session of the Conference.

12. The 1 per cent target should be attained before the third session and the terms of loans should be dramatically improved. It was insincere to claim to be encouraging development and at the same time to raise the interest of development financing and reduce the period of repayment. It was said that financial collaboration meant a retransfer of wealth from the advanced to the developing nations. That was what was to be expected from co-operation and solidarity between nations. Moreover, the beneficial results of compliance with the 1 per cent target would not be confined to the developing countries but would benefit all, and the transfer of wealth might be temporary and illusory: temporary because most loans to developing countries were being repaid, and illusory because the transfer was offset by the unfavourable trend in the terms of trade.

13. To facilitate the implementation of the 1 per cent target it might be desirable, under UNCTAD auspices, to set up machinery to follow up the implementation of the target and to discuss with non-complying countries the measures that should be taken to bridge the gap. In the provision of credit, there should be no discrimination against the public sector, which in many developing countries was the only possible and acceptable avenue for development in certain fields.

14. Another urgent problem was the rescheduling of the indebtedness of developing countries whose economies were overburdened with foreign debts. Such debts should be extended over a longer period of years and interest rates substantially reduced.

15. As had often been said, and as the developing countries had always recognized, the major responsibility for development fell upon those countries themselves. In that connexion he pointed out that the total net outflow of finance resources from the developed to the developing countries had never exceeded 3 per cent or so of the combined gross national product of the developing countries. The developing countries recognized the need to strengthen economic co-operation among themselves. Success had already been achieved in that respect, e.g. the Agreement of Arab Economic Unity by which an Arab Common Market had been set up, and the economic co-operation between India, Yugoslavia and the United Arab Republic which linked developing countries belonging to different regions and provided for extension of the preferential agreements established under it to other developing countries.

16. Universal peace and prosperity were closely linked. Without peace, as Mrs. Gandhi had said at the inaugural ceremony on 1 February, there could be no prosperity for any people, but there could be no peace unless the

harshness of the growing contrast between rich and poor was removed. He hoped that, while the first session of the Conference had laid down rules and principles, the second would be one of action and achievement.

Summary of statement made at the 43rd plenary meeting, 6 February 1968, by Mr. Anthony Crosland, President of the Board of Trade of the United Kingdom of Great Britain and Northern Ireland

1. Mr. Crosland (United Kingdom) said that virtually all Governments recognized that they had a responsibility for internal economic growth and the alleviation of poverty in their own countries. It was now increasingly understood that world poverty, and the economic growth which could ultimately remove it, were equally the concern of all countries. That concern was not based simply on economic expediency; it had a moral basis.

2. Contemporary technical and economic understanding and resources made it possible, by wise and timely action, to improve the material conditions of the whole of the human race. In his remarkably comprehensive and cogent report (TD/3/Rev. 1),⁷⁸ the Secretary-General of UNCTAD had created a new vision of the world economy — of how it worked and how it ought to work. The report emphasized the need for "convergent action". The Conference discussions, by airing doubts and clarifying problems, would help to show what could be done to make "convergent action" more effective.

3. The establishment of UNCTAD as a permanent organ of the General Assembly had served to deepen and widen the attention paid to development problems and the understanding of them.

4. But, it was not enough that the problems should be high-lighted and publicized. The crucial question was that of practical results. Some progress undoubtedly has been made; but what was unfinished was much larger than what had been done.

5. The developing countries would remain largely dependent on commodities for a long time to come. Thus the first objective must be to work for the conclusion of international commodity agreements wherever possible. An agreement on cocoa had nearly been reached in December, and the United Kingdom Government shared the general disappointment. Like the Secretary-General of UNCTAD, it thought that there was still the basis of an agreement and it was anxious to take part in resumed negotiations as soon as the Secretary-General judged that the time was ripe.

6. The United Kingdom was glad to hear the Secretary-General's opinion (see TD/3/Rev. 1, para. 118) that the outlook for a sugar agreement was now more favourable and it would work constructively for a new agreement at the United Nations Sugar Conference in April. It was prepared to join in further studies on any individual commodity. Where international agreements seemed the

most appropriate answer to the problem — as in the case of cocoa and sugar — it was anxious to become parties to them.

7. He was convinced, however, that neither the negotiation of individual commodity agreements, nor any results which might emerge from the Rio de Janeiro studies⁷⁹ on stabilizing the export earnings of developing countries, would lessen the need to mitigate the effects on developing countries of sudden and unforeseen short-falls in primary product earnings — and especially the effect on their development programmes. It was that need that had prompted the United Kingdom at the first Conference to sponsor jointly with Sweden the proposal for a scheme of supplementary financial measures. He was sure that the idea of establishing an international fund for that purpose was basically sound, and hoped that the Conference would advance significantly the date when it would become a reality.

8. The developed countries often faced domestic difficulties in helping the developing countries to expand their exports of manufactures; the adjustments called for from some of the older industries in the developed countries would be painful and could not be accomplished overnight. Yet it was perhaps in that field that the Conference had the best possibility of making progress. The United Kingdom had for many years given very liberal access to imports of manufactures from Commonwealth countries, which constituted a significant portion of the whole developing world, with the result that its imports of manufactures and semi-manufactures from developing countries now amounted to about 15 per cent of all its manufactured imports.

9. The Conference would be largely concerned with the question of special tariff treatment for the exports of manufactures and semi-manufactures from developing countries. And it was a tribute to the growing sense of international responsibility that it was no longer necessary to discuss the principle of granting such treatment, but the Conference could concentrate on how it should be done. Discussions over the past three years had shown what a complex issue it was. But given a reasonable spirit of give and take, real progress could be achieved.

10. One of the most intricate questions was that of the relation between a future generalized system of prefer-

⁷⁸ *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6).

⁷⁹ See resolution No. 22-29, adopted on 29 September 1967 by the Board of Governors of the International Monetary Fund, in joint session with the Boards of Governors of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association (see IMF, *Summary Proceedings, Annual Meeting, 1967*, p. 280).

ences and the existing systems which many developing countries already enjoyed. The countries concerned would have to make their own judgements on that question in the light of the details of whatever general scheme emerged. Among other things, they would no doubt consider the preferences which some, although by no means all of them, gave to United Kingdom exports; such preferences, for the most part non-contractual, covered some 3 per cent of total United Kingdom exports and 12 per cent of such exports to all developing countries. But there was nothing to stop the Conference getting on with the detailed discussion of the general scheme.

11. The United Kingdom greatly welcomed the plan for special drawing rights which had been agreed upon by IMF at Rio de Janeiro in September 1967. It offered a rational means of increasing world liquidity, based on a collective judgement of what was required to sustain the steady expansion of world trade. The plan should be activated as soon as possible. The United Kingdom had declared its intention of introducing legislation during 1968 to enable it to ratify the scheme; and it would include the new asset in its first line reserves.

12. He had great sympathy with the view expressed in the Charter of Algiers (TD/38) about the desirability of linking the creation of liquidity under the scheme with development aid. But it was a controversial idea, and to press it for the moment would only delay the prospect of final agreement on the new scheme. The first priority must be to get the new asset established as a first class reserve asset in its own right.

13. Although measures to assist the developing countries could and should be justified on moral grounds, that in no way reduced the need to ensure that aid was used as effectively and economically as possible. Donor countries wished to concentrate their aid on those projects which achieved the greatest effect at the smallest cost in resources and to know that their efforts were matched by a corresponding effort on the part of the developing countries.

14. The United Kingdom had supported the 1 per cent recommendation (recommendation A.IV.2) at the first session of the Conference;⁸⁰ its contribution had amounted to 1.16 per cent of national income in 1966, and about the same on average over the whole period 1962-1966. Targets of that kind had their value; but they also had their limitations. Governments, parliaments and the taxpayers who had to find the money might, to some extent, be influenced by the existence of a target, but they would be still more influenced by whether they thought that the aid provided was making an effective contribution to development.

15. The United Kingdom shared the view that, whatever targets were defined, more aid was needed. But, in existing circumstances, he could not give a precise undertaking to increase the flow of British aid. The fact that the United Kingdom was still in balance-of-

payments deficit inevitably placed constraints upon its aid programme. While the difficulties facing the United Kingdom were not comparable in terms of human welfare with those which faced many of the developing countries, a strengthening of the British balance of payments was the essential precondition of that increase in development finance which his Government regarded as one of the main objectives of its policy. Nevertheless, the United Kingdom was quite ready to increase by 60 per cent its contribution to replenishing the funds of IDA, and would have been prepared to contribute its share to a still larger increase. Other increases would include additional aid for food supplies agreed on during the Kennedy Round, and further economic aid to Malaysia and Singapore.

16. The United Kingdom believed that donor countries should harmonize the terms on which they provided aid and that the terms of aid loans were in general too hard. It would also like to see some limited and progressive untying of aid as soon as possible, and some steps taken in the meantime to mitigate the disadvantages of tied aid.

17. Shipping must continue to expand to match the growth of world trade, and the United Kingdom sympathized with the desire of developing countries to participate in that expansion which would be achieved in a way which ensured that shipping was efficient and economic.

18. He particularly welcomed the remarkable change of attitude which had occurred in recent years towards the overriding problem of population control. The United Kingdom was prepared to give whatever help it could in the study of the problem and measures dealing with it.

19. It strongly agreed with the Secretary-General of UNCTAD on the need to strengthen economic links between developing countries. Closer co-operation should cover not only increasing mutual trade, but also the regional planning of investment and the creation of joint institutions, for example in the field of education and research.

20. He wished to conclude by summarizing the main points on which attention should be fastened during the Conference and the follow-up to it.

21. The essential precondition was to expand world trade; which meant that the developed countries must maintain rapid internal economic growth and pursue liberal trading policies. All countries must continue to work for the conclusion of satisfactory commodity agreements, wherever possible, and all countries must seek agreement on special tariff treatment for developing countries.

22. They must activate the improvements already agreed in the international monetary system, and work for still further improvements such as agreement on supplementary financial measures to safeguard the developing countries against the vagaries of their foreign exchange earnings.

23. A concentrated effort must be made to improve the terms on which aid was given and to improve co-operation between donors and recipients of aid to ensure its effective uses. There must be an early replenishment of IDA.

⁸⁰ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 44.

24. At the same time, developing countries must improve their export effort, their economic relations with each other, and the efficiency of their social and economic policies.

25. The second session of the Conference would be judged not by the eloquence of the speeches or by the ingenuity displayed in committee, but by whether it carried the world nearer some of those practical goals.

**Summary of statement made at the 57th plenary meeting, 13 February 1968, by Mr. A. M. Maalim,
Minister for Commerce and Industries of the United Republic of Tanzania**

1. Mr. Maalim (United Republic of Tanzania) said he was particularly happy that the Conference was being held in a country whose people had had close and friendly ties for generations with the peoples of East Africa. The fact that India, despite the innumerable difficulties with which it was faced, had courageously undertaken to play host to the world gathering showed a sense of responsibility which should inspire all members of the Conference.

2. He deplored the fact that the representative of South Africa, whose fascist régime was with impunity flouting the Charter of the United Nations and many General Assembly resolutions, had been permitted to take part in the Conference while a number of socialist countries, which had important trade and economic relations with many countries both developing and developed, were excluded from taking part in the deliberations because of the manipulations of certain Powers.

3. A notable feature of the second session of the Conference was the realization on the part of the developed countries that they could no longer afford to treat UNCTAD lightly and that their involvement in the Conference was as vital to them as it was to the developing nations. His delegation commended that change of attitude and hoped that the developed countries would take cognizance of the fact that the readjustments which the developing countries were seeking in the areas of international trade and development programmes were a necessity to the world community and were in the interests of world peace and the welfare of mankind.

4. The decisive question was whether the second session of the Conference would serve to initiate concrete negotiations which could be rounded off by an *ad hoc* conference convened by bodies such as GATT.

5. The concept of comparative advantage, as expounded by the United States representative at the 41st meeting, obviously took no account of the effects of changing demand, technological progress and economies of scale, factors which had led to the worsening of the terms of trade for the developing countries. It also seemed to ignore the fact that the formation of large integrated markets such as the United States of America, the Soviet Union, the EEC and EFTA had given rise to a kind of economic autarky in those regions. Furthermore, it was unreasonable to expect developing countries to follow slavishly the advice to exploit their comparative advantage in primary exports when those exports were barred from industrial economy markets by increasingly subsidized local production. Such excessive devotion by certain developed countries to lopsided liberal trade principles, which they daily violated, needed further clarification.

6. The representatives of Chile (43rd meeting) and India (48th meeting) had laid emphasis on the need for self-reliance by the developing countries. It was a matter of satisfaction to his delegation that a number of developing countries regarded that as a cardinal principle of economic development. It was in that spirit that Tanzania had ratified a treaty of economic co-operation with Kenya and Uganda and had welcomed applications for similar co-operation from Zambia, Ethiopia, Somalia and Burundi. While emphasizing the need for closer economic co-operation among developing countries, his delegation hoped that practical measures would be taken by the more advanced of the developing countries to facilitate that process.

7. The Secretary-General of UNCTAD had very appropriately pointed out in his report the urgent need for relating his proposals on buffer-stock financing to the commodity price stabilization policy under review by IMF and IBRD.⁸¹ The Tanzanian delegation was in favour of such a scheme, but felt that it need not necessarily preclude consideration of other short-term stabilization measures in appropriate committees.

8. With respect to measures to liberalize trade in manufactures and semi-manufactures it was relevant to note that the chief beneficiaries of the tariff cuts agreed upon during the Kennedy Round would be the developed countries, by virtue of the emphasis placed on sophisticated capital-intensive goods. To enable the developing countries to realize their potential for the efficient production of labour-intensive products, his delegation suggested that the import duties on manufactured and semi-manufactured goods of special interest to the developing countries should be abolished. In certain cases, quota restrictions should be abolished at the same time. It was also important that the application of concessions, especially those on manufactured and semi-manufactured goods, should at all times have sufficiently flexible time-limits to ensure that the least developed of the developing countries could profit by them.

9. Needless to say, such measures could not be implemented except as a sequel to negotiations on a product-by-product basis analogous to the Kennedy Round. It would, of course, be necessary to draft a resolution which would be sufficiently specific for negotiation either within the framework of UNCTAD or jointly with GATT. His delegation hoped that such negotiations would have

⁸¹ See *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6), para. 251.

begun by January 1969 and would have been concluded by mid-1970, so that the decisions taken could be implemented as from January 1971.

10. As for development financing, his Government considered that any aid was harmful if it did not help the developing countries to dispense with aid in the long run. The President of IBRD had very pertinently remarked (51st meeting) that the aid policies of high-income countries had tended as much to mirror their own narrowest concerns as to focus effectively on the situation of the developing countries. Nevertheless, the valuable contributions made by certain friendly countries should not be deprecated nor should the serious effort that most of them were making towards increasing their over-all aid commitments to the developing countries.

11. Apart from the question of the level of aid, it was desirable to identify the proportion of official aid in the over-all flow of financial resources, to review the terms and conditions of aid and to set up an institutional framework which would make for the optimum channelling and distribution of official aid resources.

12. In view of the increasing debt burden and certain visible signs of ineffectiveness of aid in many developing countries, bilateral lending should comprise low interest rates, combined with a ten-year grace period and a thirty-year repayment period. It was well known that, in the case of tied aid, the true value of the aid could be up to 15 per

cent lower than the nominal financial resources provided to the borrower. His delegation, therefore, welcomed the statement (48th meeting) that Canada intended gradually to untie the aid it granted.

13. Multilateral financing was free from the shortcomings of bilateral aid. There were already in existence such multilateral institutions as UNDP, IBRD's regional development banks, the Nordic Council and so on for the channelling of official aid, and there seemed to be no particular merit in increasing their number.

14. His delegation had been greatly disappointed that certain developed countries had declined to replenish the resources of IDA to the extent expected, while others insisted on tying their own contributions to particular purchases. It still hoped, however, that those countries would enable the IBRD group to raise from their money markets additional funds for further aid to needy countries.

15. He regretted that no definite programme of action had been put into effect during the United Nations Development Decade. For that reason, his delegation had chosen three of the sets of rights contained in the Charter of Algiers which could be formulated as definite resolutions amenable to negotiation following the conclusion of the Conference. If the Conference did not decide to open immediate negotiations on certain specific issues, it would be necessary to recognize that it was impracticable to depart from the present *status quo*.

**Summary of statement made at the 41st plenary meeting, 5 February 1968, by Mr. Eugene V. Rostow,
Under-Secretary of State for Political Affairs of the United States of America**

1. Mr. Rostow (United States of America) said that it was singularly appropriate that the second session of the United Nations Conference on Trade and Development should be taking place in India, because the path chosen by that country in order to banish poverty and ignorance and the intelligence with which it had made the most of international co-operation were the best means of coming to grips with development problems. His own country's policy was based on co-operation among all peoples, whatever their social systems, in accordance with the principles of the United Nations Charter.

2. The theory of economic development was as old as economic history; however, it was only relatively recently that mankind had undertaken to accelerate the pace of economic progress in the developing world. The United States of America was proud to have been a leader in such efforts during the past twenty years. Its policy was founded on equal rights, self-determination of peoples and international co-operation. He also believed that progress and peace were indissolubly linked.

3. He agreed with the statement by the Secretary-General of UNCTAD in his report (TD/3/Rev.1)⁸² that time was short, that responsibility was shared by the devel-

oped countries and the developing countries and that a global development strategy was essential. As the Secretary-General had pointed out, economic policies must be harmonized at the international level, the requirements of development plans must be respected and structures and attitudes must be altered both in the developed countries and in the developing countries. All were aware that the growth rate was inadequate in most of the developing countries, especially in view of the rate of population growth. Hence a development policy could be effective only if it dealt with both economic development and family planning, because it was in terms of *per capita* progress that the statistics were most sombre.

4. The second session of the Conference should, then, give a fresh impulse to the process of development. An agreement among Governments was not only feasible, but also indispensable and the United States would direct its efforts to that end. The United States thought that the studies and documents which had been prepared for the Conference were of unprecedentedly high quality. It had also been encouraged by the Goodwill Mission which had visited the United States to present the Charter of Algiers and was pleased that the developing countries wished to avoid polemics and planned to give priority consideration to economic issues and to substitute co-operation for foreign aid. The developed member countries of OECD, for their part, had prepared for the Conference in the same

⁸² *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6).

spirit and although their position differed widely from that of the developing countries on many agenda items, it would be possible to reach agreement on a number of programmes of action if all Governments showed goodwill and realism.

5. The problems before the Conference could not be considered in isolation. The lesson of success was that progress was most rapid in countries whose development plans aimed at integrating their national economies into the world economy. For that reason, the primary goal of all countries should be to accelerate development within the framework of a growing world economy, taking into account the dynamic principles of the international division of labour. All were aware, however, that the machinery of the world economy was not perfect. Balance-of-payments difficulties and a growing shortage of reserves created problems which for the time being limited the investment funds available to the United States and obliged it to exercise a certain degree of caution in granting aid. In accordance with a recent OECD resolution, co-operation was being organized to remedy the balance-of-payments difficulties. Those measures, and the implementation of the recent agreement reached by IMF would make it possible to strengthen the international monetary system, which was the essential foundation of an open and growing world economy of equal benefit to the developed and developing countries.

6. In the field of trade, there were also certain problems, but the successful completion of the Kennedy Round of trade negotiations opened up new possibilities. The Conference would also consider proposals for establishing a system of generalized tariff preferences for the developing countries. That system, if established, would go beyond the Kennedy Round. However, certain pitfalls must be avoided, such as protectionist policies, for which very plausible arguments were always advanced.

7. He mentioned in passing that the manufacture of arms entailed a considerable outlay for all countries and threatened world security. Such expenditure, which was already onerous for the developed countries themselves, could be calamitous for the developing countries.

8. Turning to some of the more specific items of the agenda, he noted that food consumption in the developing countries must approximately double during the period 1965-1985 if the minimum physiological needs of ever expanding populations were to be met. Increased production and consumption of food were also essential for economic reasons, for there was a close connexion between a country's agricultural output and its total output, namely its gross national product. Only a growing economy could produce or purchase the food needed by the population, and only a people adequately fed would have the vitality to engage in the arduous process of economic development. Despite the gravity of the food problem, it was not envisaged that every country should become self-sufficient in food; the important thing was, above all, to ensure that a large part of the gains resulting from economic development were not absorbed by the population explosion. The food problem had a place in all realistic development plans and it cut across many areas of concern to UNCTAD. The United States had always attached special importance to food problems and to the

development of agriculture, and the assistance which it had provided in that field had often obscured the significance of food shortages in many developing countries. However, his country had been among the first to recognize the need for concerted efforts to modernize agriculture and ensure its development in the less favoured countries, for food aid was only an interim solution and could, moreover, have negative effects on food production in the recipient countries. Increased food output was essential, at least in those regions where it was economically rational to allocate increased resources to agriculture. In future the provision of food aid would depend in large part on production especially programmed for that purpose. The era of vast food surpluses was over, for it was in no one's interest that an abnormal situation should continue any longer than necessary. In addition, the food problem was becoming more widespread. Certain countries which had formerly been food exporters now imported food; others would soon be in the same situation. It was therefore essential to prevent food shortages, and to that end present trends in food production and population growth must be altered. UNCTAD could make a valuable contribution to the solution of that problem by according priority to questions relating to the modernization of the agricultural sector in those developing countries where agricultural expansion was economically rational, to the establishment of processing industries, to the application of improved technology, to public and private assistance to further those aims, and to domestic policies conducive to the establishment of the necessary infrastructure. UNCTAD should also study the opportunities which would result from the development of agriculture: diversification of the economy, expansion of exports, establishment of new industries, and new initiatives in trade and economic co-operation.

9. It would be a mistake, however, to think that with the use of new techniques the world food problem would automatically be solved. Those measures should go hand in hand with corresponding improvements in education, economic organization, management and the application of research, as also the use of fertilizers, pesticides and rational methods of water control. He hoped that at the present session it would be possible to arouse the political will which was needed to launch such programmes.

10. With regard to trade in manufactured and semi-manufactured goods, he noted that his country purchased 35 per cent of the exports of manufactures and semi-manufactures from the developing countries. It had not been able to do so, however, without placing strains on its own markets. As the import needs of developing countries were increasing and as the long-term market outlook was not very favourable for a number of primary commodities which were important to the developing countries, their exports of manufactures and semi-manufactures must expand. Some of the steps which had been taken gave grounds for cautious optimism. Perhaps the Conference would lead to other such measures; there were certainly export possibilities which had not yet been explored. As a result of the Kennedy Round the markets of all the industrialized countries were offering new outlets, but in order to take advantages of them improved marketing techniques and cost consciousness would be required. In that

connexion, developing countries with a solid industrial base were in a particularly favourable position.

11. The decision to establish a joint UNCTAD/GATT International Trade Centre was also a promising development. One of its major functions would be to help developing countries exploit the trade opportunities resulting from the Kennedy Round.

12. The Conference should also study the problem of preferences. Although there were differences of opinion concerning the scope of the general system of preferences and the principle on which it was based, there was general acceptance of the idea of such a system for the benefit of the developing countries, without reciprocity. The United States was ready to co-operate in the solution of the relevant problems, for it was convinced that such a temporary system would help the developing countries accelerate their rate of growth and avoid the adverse effects of preferential arrangements between certain developed and developing countries, thus meeting one of the points set forth in the Charter of Algiers.

13. With reference to the question of reverse preferences, granted by certain developing countries to developed countries, he considered that they often imposed a burden on developing countries by increasing the cost of their imports. While recognizing that there were in some cases historical reasons for such preferences, it must be acknowledged that they had become an anachronism. The developed countries which benefited from those preferences had often stated that they were ready to renounce them and it was accordingly for the developing countries themselves to eliminate them. The United States had agreed not to extend the agreement on reverse preferences which it had concluded with the Philippines.

14. The efficient application of modern technology to production at the present time required large industrial plants, long production runs and a high degree of specialization. Modern industries consequently needed a large market and few developing countries possessed such a market. From experience it was known that new producers were not always able to confront the world market on competitive terms. However, if developing countries were exposed to more tolerable competition within regional markets, their ability to compete in wider international markets should be correspondingly accelerated. In fact, however, the regional movement was up against barriers of an economic, political and psychological nature. As in the past, the United States had every intention of supporting all such movements to achieve economic and regional co-operation as a contribution to progress and stability. It was therefore favourably disposed toward the proposal suggesting that the industrialized countries make a declaration of support for certain regional projects.

15. He went on to review the problems arising in connexion with the question of basic commodities: persistent over-production, price swings, severe competition from both natural and synthetic products, import restrictions and preferential arrangements. For many basic commodities, market outlets were beset with difficulties of a cyclical kind, which might in some cases be relieved if higher growth rates could be achieved in the industrialized countries. In other cases, however, supply

had not responded to market signals, and that for a variety of reasons.

16. There was no one solution to all the problems but a number of solutions could be tailored to suit the special features of each market. UNCTAD's contribution could be to help Governments to understand the possibilities of all types of action as regards a particular type of product. It was generally recognized that commodity agreements could help considerably in the case of some tropical products, such as coffee. It was further accepted that for other, temperate products which were subject to replacement by synthetics, other solutions should be sought: the Conference could provide the impetus for the consideration of these solutions, *inter alia*, the vital part which diversification could play in production. While it was relatively easy to agree in principle on the need for diversification, it was very much harder to translate such agreement into action when — as was often the case — it was contingent upon investment. A promising start had been made with regard to coffee. Coffee-producing countries had agreed in principle to use some of the extra resources made available to them by the International Coffee Agreement to finance practical projects for shifting resources into sectors other than coffee. The United States supported the new venture and hoped that other countries would follow its lead.

17. With regard to the negotiations for a cocoa agreement and the renewal of the International Coffee Agreement, the United States was convinced that real progress had been made and that negotiations would very shortly be brought to a successful conclusion. It also intended to co-operate in a conference to negotiate a new Sugar Agreement.

18. He stressed the importance of the financial assistance given to developing countries. The IBRD had taken the lead in the field by setting up a number of groups to study economic development problems with particular reference to developing countries. Certain organizations, such as IMF, had assisted in the work of IBRD; new organizations had been set up and ever-increasing resources had been made available to them to meet growing demands. In that connexion the replenishment of the funds of IDA was one of the most important issues at present before the world community. The United States had put forward a plan to reach the target of \$US 1,000 million a year within three years. Negotiations were well advanced and there was reason to hope that final agreement would soon be reached. In addition, other United Nations organs were devoting more and more of their resources to help developing nations to progress economically and socially. Between 1960 and 1967, the United Nations and the specialized agencies, not including IBRD, had spent almost \$US 3,000 million on activities related to the development and welfare of the developing countries. The United States contributions accounted for over 40 per cent. Bilateral aid programmes had likewise been enlarged in recent years. The volume of its international responsibilities was such that the United States had been unable to meet its aid targets in recent years. Its current difficulties, whose impact on developing countries it was endeavouring to minimize, would not, it was hoped, affect the nature or the amount of its aid under bilateral programmes.

19. It was increasingly apparent that private investment and private entrepreneurship were factors crucial to accelerated growth. Public authorities alone were not able to undertake the job and few Governments could afford not to tap that important international resource.

20. The Secretary-General had pointed out (TD/5/Rev.1, para. 14)⁸³ that the more rapidly growing countries received an average of \$US 2.80 *per capita* annually in net private long-term investment, compared to an average of only \$US 0.23 *per capita* flowing to low-growth developing countries, i.e. less than one-tenth. One of the main reasons for UNCTAD member States to meet was to promote higher rates of growth. Developing countries, quite properly, looked to the United States and other industrialized countries to help in that process. But most of the productive resources of the United States were in private, not government hands. The same was true of most industrialized countries. The member States of UNCTAD should therefore do their best to find practical ways of attracting from those countries larger flows of private resources to the task of development.

21. Private investment was also related to another item on the Conference agenda — technology. So far as the

United States and other private-enterprise economies were concerned, technology and the ability to make the widest use of it were available primarily from the private sector.

22. The Conference should launch an inquiry into the legal and policy framework within which private investment and private entrepreneurship could be drawn into the development process. The outcome of such a study might be a fair code defining the rights and the obligations of foreign business enterprise in the developing countries, such as could simplify and speed up the process of investment. It should be possible through international agreement to bring about a basic improvement in the legal environment for private investment in the developing countries; that in turn could not fail to quicken the flow of private investment into development. The United States would be happy to participate to the full in the research effort required.

23. The United States Government believed that the member States of UNCTAD were united by the Charter of the United Nations and by a determination to assist the developing countries in their drive for more rapid economic growth. Provided that they pursued their work in a spirit of co-operation and realism, the Conference could make a major contribution to the welfare of the developing countries and therefore of the world community as a whole; the Government of the United States pledged itself to spare no effort to that end.

⁸³ See *Review of International Trade and Development, 1967*, (United Nations publication, Sales No.: E.68.II.D.4).

**Summary of statement made at the 56th plenary meeting, 13 February 1968,
by Mr. Tiemoko Marc Garango, Minister of Finance and Commerce of Upper Volta**

1. Mr. Garango (Upper Volta) felt that the deliberations of the Conference, considering its importance, should be animated throughout by a spirit of conviction, solidarity and realism. Only through harmonious economic development could peace and security be guaranteed. Regrettably, vast sums had thus far been expended on weapons of war rather than on narrowing the ever-widening gap between the developed and the developing countries. The present potentially explosive situation had to be put right, and the Conference should work with the firm understanding that its duty was to save the world from catastrophe. The gravity of the situation called for a spirit of solidarity on the part of all: it was essential for the governments of the rich countries to apprise their peoples of the pressing need for an increased and co-ordinated effort to narrow the gap between mankind's two groups. But a realistic attitude was also needed, for each country had its special problem. High-sounding and over-demanding resolutions would be impossible to enforce.

2. Regarding particular recommendations in the Charter of Algiers — which his Government supported — he considered the organization of commodity markets to be of the greatest importance. His country had accordingly co-sponsored a resolution on the subject adopted by IMF and IBRD at their annual meeting in Rio de Janeiro

in September 1967.⁸⁴ Such a step would be one of the best ways of helping developing countries, which sought a fair return for their production efforts. However, full trade liberalization was not itself a panacea, particularly if it were to take the form of the removal of all import duties and consumption taxes. It might be better to adopt a system of rebates to the exporting countries in respect of such duties and taxes.

3. As to regional preferences, the system had proved its worth. It was not enough, therefore, to expound vague principles: any other system would have to be equally effective if the interests of the countries concerned were to be protected.

4. His Government agreed that action should be taken to promote exports of manufactured goods from developing countries but favoured a system of preferences, in view of the substantial trade gap that sometimes existed be-

⁸⁴ Resolution No. 22-29 — Stabilization of Prices of Primary Products, adopted on 27 September 1967, by the Board of Governors of the International Monetary Fund, in joint session with the Boards of Governors of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association. (See IMF, *Summary Proceedings, Annual Meeting, 1967*, p. 280.)

tween developing countries themselves. An over-all plan for industrialization, aimed at a better international division of work, should also be drawn up.

5. With regard to financing, his Government considered that the form it took was less important than its suitability for the given conditions and its volume. A basic condition for increasing aid was the standardization of charges at a minimum percentage of one per cent of the national income — a figure that all the States concerned should be able to respect without undue sacrifice.

6. Multilateralization of aid was a sound aim, but had yet to prove its effectiveness. Rendered in a single form, multilateral aid could be harmful, but a combination of several forms of aid could act as a corrective. His Government therefore considered that, without in any way abandoning the aim of increasing multilateralization, certain rules should be formulated in respect of the use of

bilateral aid. Such aid should be granted for longer periods — say four to five years.

7. To sum up, his Government considered that each member State should recognize its responsibility to defend world peace, since the present economic imbalance could lead to conflagration between the developing and developed regions. The only effective solution to the decline in commodity prices and the deterioration in the terms of trade was the commodity-by-commodity and country-by-country organization of markets. Promotion of the export of manufactured goods from developing countries should involve a system of differential preferences. Financial aid should be increased and should not fall below one per cent of national income. Lastly, there should be a multilateral system of co-ordination in the distribution and use of bilateral and regional aid which should henceforth be spread over a number of years.

**Summary of statement made at the 42nd plenary meeting, 5 February 1968,
by Mr. Hector Luisi, Minister of Foreign Affairs of Uruguay**

1. Mr. Luisi (Uruguay) said that his delegation had come to the second session of the United Nations Conference on Trade and Development fully aware of the difficulties and problems facing the developing countries, but convinced that only unity of purpose and co-operation among all States without distinction could bring about the trust essential for the continuation of the common fight for the progress and well-being of all mankind.

2. Since 1964 the Trade and Development Board and the UNCTAD secretariat had accomplished a tremendous task in trying to apply the recommendations of the first session of the Conference and in converting them into definite, practical measures. However, although their studies had led to technical solutions, so many difficulties had been encountered in practice that instead of the progress anticipated, the developing world had witnessed a recession marked by increased poverty and a widening gap between the developing and developed countries.

3. His own country considered that conflict between the developed and the developing countries could be avoided, and it was convinced of the need for common strategy for harmonious and friendly collaboration among all peoples. In that connexion, he said that Uruguay's participation in the second session of the Conference would be inspired by the principles asserted by the member States of the *Ad Hoc* Committee on Latin American Co-ordination in the Charter of Tequendama⁸⁵ and the Charter of Algiers (TD/38): those principles were also behind Uruguay's policy of reversing current trends in the terms of trade, for those terms could only worsen the fate of the millions of people living in developing areas.

4. Abstract declarations of principle were no longer of any use; the time had come to adopt resolutions which

would have a direct influence on the economic policy of the various States. Indeed, it was in the interests of the developed countries to adopt such resolutions if they did not wish the consequences of poverty and under-developed conditions in the rest of the world to recoil on them. That was why it was particularly necessary to continue and extend co-operation between UNCTAD and GATT.

5. Because of the lack of a development policy, the United Nations Development Decade had been a disappointment. It was to be hoped that the second session of the Conference would result in realistic measures for co-ordinating financial assistance, trade flows and monetary policies in an integrated development strategy. The developed countries must take into account the real needs of the developing world; the developing countries must provide proof that increase in economic growth rates in the peripheral countries as a result of a development policy would help to encourage economic expansion in the industrialized countries. The latter were having to apply restrictive monetary and fiscal policies which clearly revealed the deflationist aspect of the level of world economic activity. That situation was a serious threat to the world as a whole and to the developing countries in particular.

6. The second session of the Conference should use as a basis for its work the conclusions of the first session and the principles of the Charter of Algiers.

7. As far as primary products were concerned, it was absolutely essential to conclude a political agreement on cocoa and sugar. Such an agreement would be all the more important in that it could serve as a model in other sectors of primary production. His own country was facing difficulties because of the protectionist policy of the industrialized countries, which were encouraging unprofitable breeding and the development of synthetic fibres in their own countries. As regards wool in particular, the recent Kennedy Round of trade negotiations had not improved the situation, and Uruguay's development pro-

⁸⁵ Adopted by the *Ad Hoc* Committee on Latin American Co-ordination at its Fourth Meeting at the Expert Level, Bogotá, 25-30 September 1967.

gramme was threatened because it was unable to sell its meat and wool.

8. UNCTAD should formulate a commodity policy taking account of the importance of the problems facing the products of the developing countries in the temperate zone. The second session of the Conference should also lay the foundations for a system of general non-reciprocal, non-discriminatory preferences for manufactures, semi-manufactures and agricultural produce not yet covered by international agreements. It should also establish a restricted list of exceptions for a limited period, based on prior consultations and dictated solely by national interests.

9. As far as development finance was concerned, it was disappointing that only some developing countries had attained or topped the target of 1 per cent of gross national product, and that the downward trend had continued (0.75 per cent in 1965 as against 0.87 per cent in 1961). His delegation fully agreed that a minimum percentage for the transfer of official funds for development should be fixed within the 1 per cent target.

10. It was essential that the second session of the Conference should reduce the percentage of tied aid so that the developing countries could buy wherever they found their greatest advantage. More flexibility in granting such aid was also necessary.

11. His delegation supported UNCTAD's efforts on supplementary financing, and also any measure that might prevent fluctuation in the export earnings of the peripheral countries. It was also convinced that access of the exports of those countries to industrial markets must be facilitated to redress the imbalance in their foreign trade, and that trade among the peripheral countries themselves must be developed. As the Secretary-General of UNCTAD had stated in his report (TD/3/Rev.1),⁸⁶ the import substitution policy had serious drawbacks and detracted from the effect of efforts towards modernization and efficiency. That was

⁸⁶ See *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6), para. 157.

why it was necessary gradually to eliminate excessive protective measures, and to start by freeing and increasing exchanges among the developing countries. An expansion of their mutual trade would increase those countries' rate of growth, thus helping to establish a favourable climate for a policy of gradual trade liberalization, and encouraging the trend towards regional and sub-regional economic integration with the help of international financial co-operation. Such financial assistance was necessary in particular because of the introduction of multilateral payment systems.

12. Trade between developing countries and the centrally-planned economy countries could also be greatly increased. The countries of Eastern Europe, in particular should plan their foreign trade so as to buy the commodities they needed from the developing countries for preference. The same was true of manufactures, particularly textiles. The countries of Eastern Europe should also try to encourage trade, by increasing multilateral payments, for instance.

13. However, such measures could not be truly effective unless they were matched by action on transport, particularly shipping. In that respect, his delegation would be interested to see the surveys made by the UNCTAD secretariat, more particularly by the Division for Invisibles and its Shipping Branch. The establishment of air and sea fleets would represent an economy in foreign currency for the developing countries and would also give them the use of an instrument that could be extremely important in increasing their foreign trade.

14. The rapid deterioration in the world food situation meant that new measures were urgently needed. Efforts were also necessary for countries without a sea coast, for the least advanced developing countries, and in regional integration and technology.

15. He stressed the importance in the present circumstances of a world development strategy: the efforts of the second session of the Conference should therefore be directed towards planned co-ordination of a world development policy.

**Summary of statement made at the 57th plenary meeting, 13 February 1968,
by Mr. Manuel Pérez Guerrero, Permanent Representative of Venezuela to the United Nations**

1. Mr. Pérez Guerrero (Venezuela) stressed the urgent nature of the problems the Conference was required to solve, and the need for practical steps to remedy the steady deterioration of the developing countries' economy. The efforts made for more than twenty years at the international level (the United Nations Conference on Trade and Employment, held at Havana 1947/1948; the Conference on the Problems of Economic Development, held in Cairo in 1962; the first session of the United Nations Conference on Trade and Development, held at Geneva in 1964, the UNDP and the activities of IBRD and IMF) had not had the expected results. The countries of the Third World were more than ever alive to their responsibilities in regard to world development strategy; they were convinced that

they could hope for an improvement in their position only within the framework of such a strategy and that they needed the co-operation of the more developed countries and of international organizations, but they were determined not to fall into a new régime of dependence and tutelage which could only breed frustration.

2. Venezuela had realized that regional integration was an essential means of development and had joined LAFTA. Similarly, it was prepared to help the least developed countries, in so far as it was able and within the framework of a general system. It considered that the solution to the serious problem of food should be achieved by joint efforts at the agricultural and industrial production level and at the demographic level. The programme of action

proposed by the Charter of Algiers should, in its view, be the basis of the Conference's discussion.

3. Regarding commodities, the Venezuelan delegation hoped that during the Conference the difficulties that had prevented the conclusion of an agreement on cocoa and the conclusion of a new agreement on coffee would be overcome; it was also necessary that negotiations undertaken towards the conclusion of a sugar agreement should not suffer the same delays as had occurred in the case of cocoa and coffee. It was true that the various products ought to be dealt with separately, since each of them had special features and raised problems peculiar to itself, but there was nothing to prevent negotiations from being carried on along parallel lines: it would be extremely harmful to the economy of certain countries if difficulties to do with the trade in a particular commodity took years to overcome. The best method would no doubt be to make out a list of the commodities which required urgent agreement and to prepare a fairly flexible time-table for the negotiations. The good results of the Kennedy Round showed that, when there was determination to solve a problem of common interest by a given dead-line, the solution could be found. Venezuela considered that, among other commodities, iron ore ought to receive attention, because ore prices were steadily falling while prices of the manufactures were rising. The two opposite trends produced a serious imbalance, since the producing countries' profits were progressively being transferred to the manufacturing countries; unless UNCTAD could quickly bring that deplorable state of affairs to an end the producing countries would be obliged to take action.

4. Venezuela was a founding member of OPEC an organization which was indispensable for the interests of the member countries. OPEC had important assets, but the petroleum industry still displayed serious anomalies which damaged Venezuelan interests and called for Government action.

5. The industrialized countries should, of course, facilitate access to their markets for the commodities exported by the developing countries: they could also, as had been proposed, earmark for them a certain percentage of the increase in demand. Exports of manufactures and semi-manufactures, too, should enjoy more liberal concessions without the need for reciprocity. Trade must increasingly be given preference over aid, although the latter remained as important as ever, since it had a more immediate impact on the economy of the receiving countries than the many trade concessions the industrialized countries could grant, and made it possible to stimulate the process of diversification of the economy both in agriculture and in industry.

6. In connexion with diversification, it should be emphasized that the methods of financing provided to that end in commodity agreements, in the case of coffee, for example, were particularly to be recommended because in the long run they facilitated the operation of the agreements and promoted stability of the national economy.

7. The question of supplementary financing was, the Venezuelan Government considered, of primary import-

ance; suitable machinery, which could be linked with the compensatory financing machinery already applied on a small scale by the IMF should be put into operation, by way of experiment, before the third session of UNCTAD.

8. The elimination of the out-of-date procedures which persisted in the field of financing, in particular in connexion with export credit, appeared to be meeting with serious resistance. The truth was that the criteria at present applied in the financing of exports were indicative of a certain attitude of mind which still obtained in the financial and commercial circles of the industrialized countries with regard to the developing countries; that was, without any doubt, one of the factors which had most helped to hold back the development of the countries of the Third World. The forthcoming conclusion of an agreement that would make larger resources available to the International Development Association for long-term loans granted on very favourable terms was, however, a source of satisfaction.

9. The President of IBRD had stressed how regrettable it was that the industrialized countries had not devoted even 0.5 per cent of their gross national product to financial aid to the developing countries. The position was particularly disturbing because the prices of those countries' commodities were steadily rising and they were allocating more and more money to military expenditure and their space programmes. As regards the latter, it appeared that priority had been given to outer space exploration before the needs of the small planet — Earth. It could not be maintained, as Mr. Rostow had maintained (41st meeting), that private capital ought to be the main source of financing for the developing countries: while it was true that private capital had a part to play, it could not take the place of public capital for the attainment of certain national objectives.

10. In the shipping sector, the central problem was freight rates. The discrimination suffered by the developing countries in that sector was having a negative effect upon their international trade, and the fact that they had no say in fixing the rates was a serious handicap to them. It was up to the Conference to put that right.

11. The need to integrate into a world development strategy all the measures that might be taken in the various sectors could not be sufficiently stressed: most of the failures in the past had undoubtedly been due to the non-convergence of the efforts made. Neither should the human factor be forgotten, since, besides being economically essential it was the very aim of development: development strategy must ultimately reflect the common view of all the United Nations bodies.

12. Lastly, he said that if war was to be waged against hunger, ignorance and poverty, it was indispensable for all resources and the will proportionate to the magnitude of the task to be used. It was necessary not only to provide support by words but also by deeds during the second United Nations Development Decade and so avoid the failure suffered by the first Decade. It was also necessary, without losing sight of reality, to proceed with the clear-sighted boldness called for by the circumstances.

**Summary of statement made at the 43rd plenary meeting, 6 February 1968,
by Mr. Janez Stanovnik, Member of the Federal Executive Council of Yugoslavia**

1. Mr. Stanovnik (Yugoslavia) said that the second session of the Conference had met at New Delhi to decide upon a global strategy for development and to agree upon concrete and practical measures to cope with the present problems of the developing countries. He recalled that the first session of the Conference had agreed that economic development was the common goal of all parts of the world economy; that agreement had made it possible to lay the foundations for a new kind of international co-operation for development. Later, the dialogue following that Conference had led to general recognition of the fact that formal equality among materially unequal nations could only breed further inequality.

2. Nevertheless, there had been a continuing disparity in international economic relationship and the position of the developing countries was steadily deteriorating. The industrialized States were finding it more profitable to trade with each other than with the developing nations, as the Prime Minister of India had rightly observed at the inaugural ceremony on 1 February 1968. In 1953, mutual trade among the developed market-economies had amounted to 63 per cent of their total exports, rising to a level of 69 per cent by 1960, and even achieving 75 per cent by 1966.

3. Following the trade negotiations in GATT, trade barriers between the industrialized countries had been reduced to such an extent that more and more trade was beginning to be conducted in free trading conditions. In addition, under the impact of up-to-date technology and trade policy, the industrially advanced States had become economically integrated to an increasing extent, while the other sections of the world economy found themselves in a process of growing economic disintegration. In the course of that process, the share of the developing countries in world exports had declined from 31 per cent in 1950 to 21 per cent in 1960, and then to 19 per cent in 1966. Obviously, the time had now come to outline a strategy for linking up the entire world, comprising the developed market economies, the socialist countries and the developing countries into an economic whole living in equitable economic coexistence.

4. UNCTAD's idea of "development through trade" meant, in terms of the economic policy of the developing countries, a readjustment from import substitution to export orientation. Industries which had been originally established to satisfy domestic requirements now had to turn toward the world market and prove their ability to compete there. That meant that excessively protectionist commercial and fiscal measures would have to be abolished and that domestic industries would have to meet the impact of international competition. Unfortunately, although that process had already been started in the developing countries, it had not been accompanied by any corresponding policy in the industrially advanced countries.

5. To take a different example, economic development might be conceived of as technological modernization,

as structural diversification or as industrialization. No matter which conception was emphasized, the result in most cases was some degree of unbalanced growth, in which agriculture tended to lag behind, at least in the initial stages. Although his own country had done much to improve agricultural production and efficiency in the post-war years, the industrialized countries had, during the same period, been intensifying their policy of agricultural protection and subsidization, with the result that access to their markets was becoming more and more difficult. While the agricultural development policy of the developing countries was governed by principles of economic efficiency, the agricultural policy of most industrialized countries was governed by principles of self-sufficiency. Import protection in the most important of the world's importing countries was sustained not only by high tariffs but to an even greater extent by levies and similar devices. For certain agricultural products, the sum-total of that protection amounted to more than 100 per cent of their import price, so that even under the most favourable circumstances, the producer in a developing country had to export to industrial markets under conditions which hardly enabled him to exist. It was not surprising, therefore, that the process of agricultural integration among the developed countries had brought with it as an inevitable corollary disintegration on a world-wide scale, as agricultural exporters from developing countries found themselves gradually forced out of their traditional markets.

6. Disintegrational processes in the world economy had also been reflected profoundly in the financial sphere. During the first session of the Conference, the developed market economy countries had unanimously accepted the obligation to transfer one per cent of their national incomes to the developing countries, an obligation which had later been confirmed within OECD. As shown in the Secretary-General's report (TD/3/Rev.1),⁸⁷ however, the amount actually transferred in 1966 had been only 0.62 per cent of the national incomes of those countries. At the same time, the debt burden of the developing countries had continued to increase, until in 1966 the financial transfer for debt-service had amounted to 2.5 per cent of their national income. That represented a new form of disintegration which was gradually dragging the world towards the point of no return. It had, in fact, been estimated (TD/7/Supp. 5, table 1) that if the present trend persisted, the total debt-service in 1970 would amount to \$7,000 million, which would be equal to the projected transfer of gross lending.

7. A further contradiction confronting the developing countries was the fact that their inability to earn foreign exchange with their traditional exports forced them to resort to external financing. In the present circumstances, such financing could be obtained mainly in the form of

⁸⁷ *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6).

tied loans. Repayment of those loans was, however, not tied. When the developing countries tried to repay those loans by marketing new products which the loans had enabled them to produce, they met with increasing restrictions in the creditor nations. In other words, the problem was not the inability of the debtor nations to produce, but rather the lack of readiness of the creditor nations to open access to markets so as to make repayment possible.

8. What his delegation expected above all from the present session of the Conference was a firm agreement on a joint development strategy which could reverse the present trend toward disintegration and bridge the gap between the rich and the poor. Agreement on a development strategy could not, however, remain at the level of a philosophical dialogue on co-ordination. It must rather be forged into a system of practical measures and negotiated obligations which various governments would implement through international arrangements, autonomous political action and parliamentary procedure. By way of illustration, he drew attention to the official action taken by Canada, Denmark, Japan, the Netherlands, and Sweden for the purpose of achieving the one per cent target.

9. His delegation expected the Conference to adopt the principles, guidelines and basic methods for implementing a scheme of preferences; it expected it to adopt measures to increase development financing, to improve terms and to ease the debt burden; it expected it to adopt proper measures for trade expansion among the developing countries themselves; it expected it to take a decisive step toward stabilizing raw material markets through commodity agreements and, where available, buffer-stocks; and it expected it to draw up effective special measures for the less-developed among the developing countries.

10. As agreement in principle had already been achieved with regard to the adoption of a general non-discriminatory and non-reciprocal system of preferences, the Conference should negotiate the framework and the methods of implementing and controlling such a system. However, since the ground covered by the preferential scheme was a vast and complex one, and since practical experience was so lacking, it would have to allow for the possibility of improvements being made in the course of its application.

11. Although his delegation attached great importance to the adoption of a scheme of preferences, it did not feel that such a scheme could solve all the problems of launching a new process of integration in the sphere of industry. With regard to that field, it considered it neces-

sary to develop other forms of industrial co-operation and would like to lay particular stress on joint ventures, industrial branch agreements and affiliations in the developing countries. On the basis of his own country's experience, he felt that such co-operation should not be aimed so much at providing substitutes for imports but rather at promoting exports.

12. His delegation would strongly support the organization of primary commodity markets through commodity agreements. That called for the elimination of the barriers which prevented tropical products from having access to the markets of the developed countries. As long as agricultural production in the less-privileged part of the world was kept in check by the free market prices in the rest of the world, and as long as less-efficient producers in the developed countries enjoyed the benefits of high protective walls, there could never be enough food to feed the hungry.

13. Long-term development strategy must be based on the realization that there could be no permanent solution to the problem of primary markets without intensive implementation of the diversification programme. Consequently, his delegation would support the establishment of a diversification fund from existing bank resources, without renouncing its strong support for supplementary financing.

14. In the field of development financing, the Conference should adopt concrete measures to achieve and exceed the one per cent target in the form of adequate legislative measures. It should further seek a solution to the problem of tied loans and untied repayments, as well as to other problems related to the terms of lending.

15. With regard to the promotion of trade among developing countries, his delegation would be governed above all by its practical experience in the development of tripartite co-operation between India, the United Arab Republic and Yugoslavia. That co-operation had yielded its best results in the form of special tariff concessions. In the initial phase, agreement had been reached concerning seventy-seven groups of products, or over 500 tariff items. That agreement was open for accession to all other developing countries.

16. Lastly, he said that the Conference should seek to intensify trade ties with the socialist countries. Experience showed that institutional differences presented no unbridgeable barrier to trade expansion, and his delegation was confident that the socialist countries would submit new proposals for increasing international co-operation during the present session of the Conference.

**Summary of statement made at the 56th plenary meeting, 13 February 1968,
by Mr. M. J. Chimba, Minister of Commerce, Industry and Foreign Trade of Zambia**

1. Mr. Chimba (Zambia) described the first session of the Conference as having been a source of inspiration and encouragement to his country, at that time on the threshold of independence, for it had been clear that poverty and ignorance would prevail in the absence of international

commitment to development. The process of economic development, neglected and ignored until fairly recently, was now a subject whose importance was recognized by the world community. The underlying philosophy of the well-being and happiness of mankind; but that end could

not be achieved unless steps were taken to prevent the emergence of policies of racial segregation. Many countries had supported Zambia in its struggle against the racist policies prevailing in Rhodesia and had co-operated with the United Nations' policy of selective mandatory sanctions. Nevertheless, his Government was convinced that sanctions alone without the use of force could not succeed in bringing majority rule to Rhodesia. The present political situation in the latter had created serious problems for his own country's economy; the compensation provided up to present was far from adequate, and greater efforts would have to be made by the international community if the sanctions policy was to be successful. That matter, so relevant to peace and stability, called for urgent settlement if economic development in Africa was to continue.

2. Despite the undeniable results obtained since the first session of the Conference, progress had been slow in comparison with expectations and needs. Many problems of development remained to be overcome, and a considerable joint effort was still needed. Perhaps the most important objective the Conference could achieve would be awareness of the problems of others, for in a common endeavour no country could be regarded as an island detached from the rest of the world. Both the developed and the developing countries had problems; and it was desirable that each country become conscious of the problems existing elsewhere.

3. The impact on public opinion of a conference such as the present one would no doubt make it possible for the industrialized countries to provide an increased volume of aid and sacrifices would be more readily made once the difficulties of the developing world were appreciated.

4. Trends in the trade of developing countries over the past ten years had been quite discouraging. It was important to stop thinking in terms of the temporary remedies which had dominated trade policy up to the present and to take steps that would enable commodity-producing countries to change the structure of their economy. But the costs of structural change were enormous and could be met only through co-operation.

5. While commodity agreements served a useful though somewhat limited purpose, adequate long-term production plans were necessary to free resources from traditional production patterns. The resulting idle resources had to be complemented by other productive factors as well as by effective demand. It was at that point that compensatory finance played its critical role. Support for countries which abandoned traditional lines of production in the interest of efficient allocation of resources would facilitate the flow of financial resources and provide assurance that countries which changed the structure of their economy would have preferential access to foreign markets.

6. His Government was particularly concerned at the level of protective tariffs in the industrialized countries on imports of processed raw materials. The elimination of such tariffs would encourage investment and absorb otherwise idle factors of production. While it was true that their removal could give rise to undesirable social problems, the developed countries with their extensive technology should be able to absorb the factors released.

7. The diminishing proportion of financial resources flowing from the developed countries over the past few years was a cause of general concern and disappointment; total net flow in 1966 had reached its lowest point since 1962, with a decrease from approximately 0.72 per cent of national income to 0.57 per cent. That situation would have to be remedied if the debt-servicing problem was to be solved. Reversal of the trend would obviously not come about automatically: concerted policies would have to be agreed on beforehand.

8. The decline in the flow of financial resources over recent years was largely due to a slackening in the rate of growth of industrial production, which in turn was the result of instability of the foreign exchange system. Steps enabling countries to avoid problems arising from the world shortage of liquidity had been taken recently by IMF, although no agreement had yet been reached on the practical operation of the mechanism. The strains of the present exchange system were felt more acutely by the developing countries, which in fact bore the cost of adjustment to the external imbalance in the developed countries, for a fall in industrial production inevitably led to a decrease in demand for the primary producing countries' commodities. It was to be hoped that when the Conference discussed international liquidity particular attention would be paid to adjustment costs in the latter.

9. With regard to the flow of private capital, his Government had taken steps to encourage private investment, but the situation was still far from satisfactory, inasmuch as foreign investors, through lack of confidence, sometimes demanded conditions which were impossible to grant and tended to take a short-term view of the market. While some Governments had attempted to remedy the situation by policies of insurance and guarantee for foreign private investment, it might well be necessary to set up an international institution which could insure private investment against non-commercial risks.

10. In the short-term, efforts should be made to expand trade by liberalizing commercial policies, stimulating investment — particularly in the processing of primary products — and improving the conditions governing the flow of private capital to the developing countries. Resources could then be allocated in such a way as to maximize returns for the world community as a whole. Unco-ordinated demand for capital should be avoided, and Governments in both the developed and the developing countries should work together to assess resources and methods in accordance with principles providing for the allocation of capital for the benefit of all.

11. In the longer-term, productive resources should be more rationally planned in relation to demand and comparative advantage. Diversification into new lines of production must perforce be the result of a joint effort, with the countries which would benefit from diversification assisting those countries which were practising it.

12. Much still remained to be done, but the Conference would serve a useful purpose even if it did no more than foster understanding of one another's difficulties and strengthen the conviction that everything possible was being done to solve the universal human problem of suffering and want.

REGIONAL ECONOMIC COMMISSIONS OF THE UNITED NATIONS

Summary of statement made at the 39th plenary meeting, 2 February 1968,
by U Nyun, Executive Secretary of the Economic Commission for Asia and the Far East

1. U Nyun (Economic Commission for Asia and the Far East) said that it was gratifying, in view of the extreme urgency of the situation facing the developing countries and the need for rapid remedial measures, that the three major developing regions of the world had been able to co-ordinate their position and produce the Charter of Algiers (TD/38). That unity among the developing countries would be a new factor in international relations and would encourage the developing countries to make greater use of the tremendous possibilities for regional and inter-regional co-operation in promoting economic growth.

2. The first session of the Conference had brought about increasing awareness of the need for a complete overhaul of the structure of world trade; but during the last three years progress towards meaningful action had been disappointingly slow. Much more would be required to ensure the success of the second session than merely formulating a unified position and defining issues. A change of heart on the part of all major trading countries was essential if practical results were to be achieved.

3. The ECAFE secretariat co-operated fully with UNCTAD and it had taken a series of measures to promote the implementation of the recommendations of the first session of the Conference. However, the general trade position of the ECAFE region had not fulfilled expectations; 1967, in particular, had been a trying year, although fairly satisfactory results had been achieved in certain fields such as shipping and ocean freight rates and regional trade co-operation.

4. The recent eleventh session of the ECAFE's Committee on Trade had adopted a recommendation concerning the establishment of national, and later regional, shipper's councils. The ECAFE secretariat also planned to

establish a Shipping Information and Advisory Services Centre, one of whose objectives was to promote regional co-operation in shipping, including the creation of a South-East Asia shipping pool and common chartering exchange.

5. He congratulated UNCTAD and GATT on having amalgamated their trade promotion activities by establishing a joint International Trade Centre. The ECAFE secretariat would give full support to the United Nations Export Promotion Programme, and had itself decided to establish an ECAFE Trade Promotion Centre which would work in close co-operation with the UNCTAD/GATT International Trade Centre.

6. A second Asian International Trade Fair would be held at Teheran from 5 to 24 October 1969 and he expressed his appreciation to the Government of Iran for undertaking that important task.

7. Developing countries had learned from experience that, singly and separately, they could not hope to attain satisfactory growth rates to support their fast-growing populations at decent living standards. It was recognized that the situation called for greatly increased efforts at the regional level.

8. The work of the Conference in accelerating development would be vital in determining whether the developing areas saw progress or poverty and also in ensuring world peace. It was essential that it should achieve results consonant with the aspirations of the peoples of Asia and other regions. He hoped that the work of UNCTAD would be inspired by a firm conviction of the inevitable emergence of a higher economic and social order that would draw the developed and developing countries together into a firm alliance so that all countries could work together as true partners in progress.

Summary of statement made at the 50th plenary meeting, 8 February 1968,
by Mr. C. Quintana, Executive Secretary, Economic Commission for Latin America

1. Mr. Quintana (Economic Commission for Latin America) stressed the importance of the Conference as part of the international community's endeavours to expedite economic and social progress in the developing countries. Quoting statistics to illustrate the slow economic growth of Latin America, he pointed out that the demographic upsurge in the region was preventing any improvement in living conditions.

2. The lack of dynamism in the economies of Latin America was largely caused by obstacles to the expansion and diversification of exports, the instability of overseas earnings, deterioration in the terms of trade and the absence of any genuine policy of technical and financial co-operation.

3. It was noteworthy that, despite the steady increase in export earnings and the scale of external financing the economic growth of Latin America as a whole had recently been lower than in earlier years, particularly because of increased debt-servicing charges and the need to rebuild monetary reserves. Although the total inflow of foreign loan and investment capital had increased substantially since the beginning of the present decade, Latin America had had to transfer, for the amortization of its loans and the payment of interest, a larger sum than it received in gross capital inflow.

4. Statistics showed a precarious balance-of-payments situation in various Latin American countries; failing financial co-operation programmes under which total

loans were provided and the rate and methods of repayment were determined in accordance with development needs, external financial aid could do nothing to increase investments or encourage domestic saving.

5. A study of the factors governing exports from the region showed that foreign trade prospects were not very promising, owing to the fluctuations in demand from the industrialized countries, and Latin America's considerable trade gap would prevent it from achieving a satisfactory rate of growth over the next ten years.

6. One of the main obstacles to the expansion and diversification of Latin American exports lay, he thought, in the protectionist policies pursued by the industrialized countries, with the main aims of bolstering their economic independence, promoting exports by means of subsidies and restricting the consumption of products exported solely by the developing countries. Other factors responsible for the present state of affairs were the progress made in producing substitutes for natural products, preferences granted by some developed to some developing countries, shipping policies, and the increasing difficulties experienced by developing countries in trying to diversify their exports. In that connexion, he regretted that the recommendations of the first session of the Conference⁸⁸ concerning the establishment of a new international trade organization and the stimulation of economic growth in the developing countries had not been implemented, and that further restrictions had been imposed on their exports.

7. The outcome of the Kennedy Round might have been greeted with satisfaction by the developed countries as helping to liberalize international trade; but the devel-

oping countries had not been able to share that satisfaction, as their interests had been almost completely disregarded. While they had secured substantial tariff reductions for some of their products, the problems of access to the markets of the industrialized countries and of price stability were still not resolved.

8. After summarizing a document entitled "America Latina y el segundo periodo de sesiones de la UNCTAD", containing proposals for dealing with the main problems of the developing countries, he went on to say that a plan of action should be adopted to remove obstacles to commodity exports from the developing countries, to abolish special preferences and to improve the competitive position as between natural and synthetic products. He hoped that the Conference would also adopt in broad outline a system of preferences for manufactures and semi-manufactures from the developing countries, and added that Latin America was aware of the potential importance of trade with the planned-economy countries, which, he said, might well include increasing volumes of commodities from the developing countries in their purchasing programmes.

9. He approved the proposals to transform IBRD into a bank for developing countries and to increase the flow of net external finance to those countries; and he thought that the Conference should also set up machinery for supplementary financing. The terms of external financing should be altered and, amongst other things, a fund should be established which would enable the rate of interest on loans to developing countries to be substantially reduced.

10. In conclusion, he hoped that, as a result of constructive co-operation between the developed and developing countries, the least advanced countries would emerge from their economic stagnation and enjoy the benefits of the technical economic and social progress at present the exclusive privilege of a few countries.

⁸⁸ *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

Summary of statement made at the 65th plenary meeting, 27 February 1968, by Mr. J. H. Mensah, Director, Trade and Economic Co-operation Division, Economic Commission for Africa

1. Mr. Mensah (Economic Commission for Africa) said that the African countries constituted one-third of UNCTAD's membership. They were participating in full force in the present session of the Conference, many of them at great financial sacrifice, because the matters at issue were of the greatest importance to them. In spite of the four years of disappointment since the first session of the Conference, African countries retained the hope that the world community could still bring order into international economic relations in order to assure them progress and justice.

2. On the average, some 22 per cent of the gross output of the African region was destined at the present time for export markets; imports were equivalent to nearly 25 per cent of the gross output of the region; food and raw materials accounted for over 60 per cent of the region's exports, and fuels for another 21 per cent.

In other words, primary commodities made up over four-fifths of all African exports. The region's exports of manufactures had recently expanded quite rapidly, but they still remained a relatively small component of African exports; and in many cases their production largely depended on imported raw materials and equipment. The structure of African production was very far out of line with the pattern of its commodity requirements for day-to-day living, for production, and for development. So that even apart from the high proportion of imports to total product, Africa could be considered a dependent region in a very deep sense.

3. It had been the policy of all African Governments, from the very moment of independence, to adopt an internationalist approach and to participate actively in the search for a new system of economic relations based on mutually accepted rules and objectives and a spirit of

co-operation. It was to be hoped that rapid progress would be made in achieving a satisfactory world order so that the African States would not be forced back on to the individualist approach of nation States which the world community was trying to move away from.

4. The member States of ECA had on numerous occasions called for the kind of global strategy to which the Secretary-General of UNCTAD had devoted so much thought. The ECA secretariat wished to stress three aspects of such a world development strategy, as seen from the standpoint of its contribution to African development. The first was that the maintenance of a high and growing level of economic activity should be placed in the very forefront of economic policies. A second important need of the African countries was that the world's resources should be allocated in accordance with a global strategy giving high priority to the development of the poorer countries — an order of priority that had apparently been accepted in so many international resolutions. In Africa, external aid in the matter of financing and skills was a prerequisite for the mobilization of domestic resources. The third element was that the global strategy should provide a system of organization in international economic relations bringing greater certainty and security.

5. The experience of the first United Nations Development Decade had shown that a global strategy, and world targets of all sorts, were of no avail unless arrangements had been made to assure their implementation. For that purpose the strategy and targets should be defined not through formalistic procedures in international institutions, but as the outcome of the closest contact and dialogue among those who would be responsible for their implementation. National and multinational organs of the African and other developing regions which were responsible for taking the decisions that finally determined the shape and the pace of development should become more closely involved in the process of drawing up the world strategy and the policies for carrying it out.

6. African countries had been asking for the establishment of international consultative machinery through which they could examine their needs and their plans with the international community and following that, mobilize the assistance, especially financial assistance, required for development. The ECA considered its role as being that of a catalyst in helping to conduct the dialogue between its member countries and the world community and to mobilize assistance to its member countries in all spheres of their development. In that role, the secretariat had had the closest collaboration from the Secretary-General of UNCTAD ever since the UNCTAD secretariat was established. It hoped that the decisions of the Conference would enable the two organizations and other international agencies involved in African development to strengthen their efforts on behalf of the African peoples.

7. Despite the disappointing collapse of the negotiations for an international cocoa agreement, ECA continued to hope for renewed negotiations on a cocoa agreement, and talks on tea, bananas, rubber, non-apparel fibres, and vegetable oils and oilseeds. The Charter of Algiers had also called for appropriate action on other

commodities among which iron ore, cotton, wine, citrus fruits and manganese were of particular interest to Africa.

8. It was important to the African countries that serious thought should be given once more to the possibility of gradually re-organizing the entire system of international commodity trade through action at the international level parallel to what had already been accomplished in many places at the national level. Primary commodities would inevitably continue to dominate the export trade of the African countries, and to determine their prospects for national advancement, throughout the 1970s; hence the interest of the African countries in the proposals, made by the French Government and others, for a reform of the system of international commodity marketing. Now that the question of preferences for manufactures and semi-manufactures had evolved from the far-away dream which it seemed to be at the time of the first session of the Conference into an issue of negotiable policy, Africans believed that the commodity sector of international trade was ripe for a comparable revolution. The emergence of an international consensus along those lines should also contribute to progress with the selective approach to commodity problems which the so-called pragmatists had always favoured. The experience of African countries in various commodity negotiations was that the refusal to accept that international commodity trade should be bent to serve the purposes of development, had been one of the greatest stumbling blocks.

9. Even when manufactures and semi-manufactures were defined so as to embrace all important processed and semi-processed agricultural items, African participation in international trade in such products was small in absolute terms and as yet a minor source of foreign exchange earnings to the region. Thus, African exports of a narrow list of twenty manufactured and semi-manufactured items, including agriculture-based products, accounted for 90 per cent of all the goods supplied to world markets by the African region at any stage of production beyond the crude stage. If all the developed countries of the West were to grant the most liberal tariff preferences to all African manufactures and semi-manufactures, they would be making concessions to a total of less than \$500 million, or less than \$2 gross of trade per year per head of the African population.

10. That statistic should firmly set in perspective the scale of the contribution which would be made by a system of general preferences to the prosperity of the African countries. It should also serve to explain why the ECA countries viewed with some dismay the apparent hesitations and the long drawn out soul-searching with which the question was being approached. The economies of African countries were primarily agricultural; they had been advised to pay more attention to agriculture and to base their nascent industrialization on it. But their largest customers, the developed countries of the West, now proposed to exclude from the system of preferences agriculture-based products, the only manufactured products which many ECA countries had to sell at the present time and were likely to have during the next ten years. The preferential benefits were being offered for a period of ten years — a period during which it was unrealistic to envisage that most African countries could establish a

large capacity in export industries to take advantage of those concessions.

11. Some developed countries had said that they would not be able to grant preferences to those African countries which discriminated against their exports. The African countries concerned could hardly be expected to meet such a demand by withdrawing tariff concessions from the industrialized countries to which they had extended such concessions and with which they now had contractual obligations. It was for the OECD countries which now enjoyed reverse preferences and for those which were demanding equal treatment to propose a concrete solution. As it stood, their attitudes on the question pointed directly towards a deadlock.

12. Long after the principle of non-reciprocity had apparently been accepted by the developed countries, in particular under part IV of the General Agreement on Tariffs and Trade, eighteen African countries had been asked for, and constrained to grant, reverse preferences in return for tariff-free entry of their exports into the European Common Market and for a certain fixed volume of financial assistance. The same conditions, though in a less extreme form, had been imposed in the Nigerian agreement; and more recently the East African countries had had to accept the principle of reverse preferences imposed by the EEC as a condition for the opening of negotiations. Obviously, African countries would have preferred to obtain liberal access to the EEC market on a basis of non-reciprocity. The arrangements between them and the European countries were falling due for renegotiation. The question was what help the Conference could give in lowering the very substantial price demanded in return for free access of exports from Africa to the European market.

13. The record showed that African countries had not proved unwilling to negotiate. They were now waiting to be told concretely what the proposed system of preferences would consist of: in particular, its product coverage, the depth of the tariff cut, and the duration of the preferences. At that stage they would negotiate, and they hoped that the stage would be reached during the Conference.

14. The African countries also looked to the second session of the Conference to decide clearly what in practice was meant by non-reciprocity in trade relations between rich and poor countries, and how it was to be applied. Some of the advanced countries with which ECA member States would soon have to renegotiate the existing scheme of special preferences were among the most influential members of the Conference. They could not maintain a split personality at the Conference, advocating a generalized system of non-reciprocal preferences for manufactures and semi-manufactures on the one hand and, on the other, exacting such severe conditions by way of reverse preferences in return for duty-free access of African primary commodities to their markets. It was more disturbing that those African countries which had to make reciprocal concessions were among the most deprived countries, whereas the non-reciprocal preferences would be enjoyed by the relatively better-off countries of the Third World.

15. Aid to Africa was stagnant, disorganized and tending to become increasingly more expensive; and that at the

very moment when, after the consolidation of independence, the capacity of African countries to make effective use of aid had markedly improved.

16. During the last ten years, external public financing for Latin American development had increased from \$330 million in 1956 to \$1,700 million in 1965. In Africa, official aid from the advanced Western countries and from the multilateral agencies had been virtually stagnant since 1961. A large part of the difference between the experiences of Africa and Latin America was due to the fact that the institutional machinery for mobilizing and channelling aid to Africa was as yet relatively weak.

17. The consultative system of IBRD had been extended to barely one-tenth of the total number of African countries. And, with the outstanding exception of the EEC Development Fund, there was no systematic machinery for organizing aid to the region in relation to mutually agreed goals of development. ECA member States had shown a great deal of self-help by subscribing some \$250 million of their own capital to set up the African Development Bank. So far the response from the international community in matching that self-help had been disappointing.

18. At the eighth session of ECA, resolution 169 (VIII) had been adopted proposing the establishment of consultative machinery for the region coupled with a Special Fund for African Development.⁸⁹ The resources of the international financial system as a whole should be enough to enable the Conference to give its support to the early establishment of such an arrangement.

19. In Africa, the preponderance of the agriculture sector, the dependence upon international trade in primary commodities, and the narrowness of the range of exports, all contributed to create conditions of maximum economic insecurity. Therefore, ECA member States attached the greatest importance to the IBRD scheme for supplementary financing. The organizational steps necessary for establishing such a scheme would in any case take many months; that period should not be further lengthened by a failure of the Conference to agree on the principle of establishing it. It appeared that enough work had been done for the Conference to be able to agree on the main features of the scheme and on the adoption of a time-table for the establishment of the administrative machinery.

20. A widespread movement was taking place in Africa to overcome the effects of political fragmentation by means of inter-State co-operation for economic development. The ECA membership included a large number of countries which on any criterion would be considered to be among the least developed countries in the world. Economic co-operation within Africa, supplemented by special international measures for the benefit of those countries in the field of trade and aid, was the only realistic policy for promoting the development of the majority of African countries.

21. Although ECA was largely responsible for instigating the movement towards economic co-operation, the

⁸⁹ See *Official Records of the Economic and Social Council, Forty-third Session, Supplement No. 5*, pp. 156 and 157.

assistance that the international community had given to the African countries in their efforts had so far been very small indeed. The movement for economic co-operation in Africa needed the support of experienced and capable technical hands to help map out multinational policies and to sustain inter-governmental institutions in that relatively new field.

22. Many advanced countries and international agencies had declared their willingness to finance multinational projects in the African region. But so far little had been done to help the African countries to plan such multinational projects. Hence the offers of financial assistance could not be taken up. Apart from the African Development Bank there were other multinational channels for financing development in East, Central and West Africa, and a new integration bank was currently being established in the Maghreb countries. Those institutions had also received little assistance so far from the international community.

23. It was obvious that the African countries, more than any others, needed foreign financial and technical assist-

ance in establishing export industries and in marketing their products both in each others' territories and in the more advanced countries. ECA had already begun to organize a scheme for export promotion assistance to member States. He hoped that the international community could commit itself to provide the resources for a meaningful programme to promote the exports of African countries.

24. Finally, Africans could not expand trade among themselves and co-operate for their mutual development without touching the existing interests of those who at present controlled their external trade. That external trade was very large in proportion to the size of the economies, so that any steps to modify its present pattern could be contemplated only if there was adequate assurance of real co-operation from the more advanced countries concerned. There had been repeated expressions of support for arrangements to increase trade between African countries, but not enough had as yet been said on the adjustments which such arrangements would entail on the part of developed countries outside Africa.

SPECIALIZED AGENCIES

**Summary of statement made at the 54th plenary meeting, 12 February 1968, by Mr. P. M. Menon,
Director of the Branch Office of the International Labour Organisation at New Delhi**

1. Mr. Menon (International Labour Organisation) said the ILO attached the utmost importance to the second session of the United Nations Conference on Trade and Development, since the principles and programmes of action it agreed on would represent a significant step forward in the formulation of a global strategy for the economic and social progress of the developing countries. The ILO's activities to that end were concentrated in three main areas, the first being the development and utilization of human resources, covering the training of manpower at all levels in new and better skills for the occupations most needed in the economic development of the country concerned, and the creation of further opportunities for productive employment, particularly in developing countries with high rates of population growth, unemployment and under-employment. The second area of activity was the development of social institutions, with the aim of assisting developing countries in the process of modernization and development. Lastly, the ILO was engaged in activities designed to improve workers' living and working conditions, including wage and social security policies which, without burdening the economy with excessive labour costs, could contribute to a more rational distribution of income, provide incentives for the acquisition of skills and for good work performance, and to build up an effective labour force. Those three areas of activity formed the major elements of the ILO's social policy in respect of the developing countries — a policy which was complementary to the trade and development measures being considered by the Conference.

2. Item 10 of the Conference's agenda (TD/61) related to commodity problems and policies. Although, strictly

speaking, that was not a matter that fell within the ILO's competence, the ILO had continued over the years to stress the need to stabilize commodity prices, not only because exports of primary products accounted for the major part of developing countries' earnings in foreign exchange but also because of the importance of commodity prices for the maintenance and improvement of levels of employment and working conditions. The ILO's special concern in the matter was reflected in two resolutions (Nos. 55 and 56) adopted by its Committee on Work on Plantations in May 1966 and since transmitted to the Secretary-General of UNCTAD.

3. Even if commodity prices were stabilized, the volume of primary goods exported would still not provide the necessary stimulus for economic development. The ILO therefore considered the expansion and diversification of exports of manufactured and semi-manufactured goods to be vitally important. Developing countries needed to increase their share in world trade in that respect, for by expanding their export earnings they would be in a position to finance imports essential for economic development while the extension of export outlets would permit the development of industries in countries where the domestic market was at present too restricted. Moreover, export-oriented industrialization would be more conducive to production efficiency than would inward-oriented industrialization.

4. If member States so wished, the ILO could help developing countries to achieve economic development through trade by making available its experience in the field of vocational training, management development and industrial relations — experience which would be particularly relevant in the case of industries with an

export potential. In that connexion, the ILO was glad of the opportunity of taking part in the work of the United Nations Export Promotion Programme.

5. Increased imports from the developing countries to the developed countries need not necessarily cause a drop in the level of employment in the latter, for the foreign exchange thus earned by the former would be spent in purchasing capital or other goods there. Steep increases in imports of a few commodities over a brief period might, however, be prejudicial to particular producers in the importing countries and thus have repercussions on the social and economic structure.

6. The forward-looking policy already adopted by a number of developed countries to deal with social problems arising from international trade had not been prompted by the desire to prevent competition from developing countries but was designed to adapt their employment structure to the emerging trade pattern by providing adjustment measures for displaced workers. The ILO advocated that wherever liberal trade policies were adopted in the general interest, the cost of any necessary adjustments in respect of displaced workers should be borne not by the latter but by the community as a whole. In so recommending, the ILO was prepared to act as a clearing house for information about the measures adopted by various countries in that connexion. The ILO would also continue to study the experience of countries applying an active manpower policy aimed at promoting successful structural adaptation. Thanks to its tripartite structure, the ILO was able to make the issues involved better understood by both management and labour.

7. An allied question was that of the size of the labour transfers likely to occur in individual industries in the developed countries as a result of increased imports of industrial products from developing countries. On that subject, the ILO had submitted to the Conference a paper (TD/46/Rev. 1 and Corr. 1) which, although its estimates were provisional and its findings tentative, might provide a useful basis for discussion.

8. The ILO might also be able to make a significant contribution in respect of the social aspects of regional economic integration, which raised social and labour problems necessitating action at both the national and the regional levels. For example, countries joining a regional scheme might experience a displacement of labour in some industries and an increase in employment openings in others. National measures would then be required to alleviate the hardship of displaced workers, such as adult training and retraining, employment services and removal grants to promote occupational and geographical mobility of workers within their own countries, and also measures to assist displaced workers until they found new jobs. Regional action might also be necessary to contain the problems of adjustment within manageable proportions by measures such as agreement on a transitional period, pooling of an adaptation fund to facilitate movement of labour within the region and planning of employment and training policies on a regional level. The very complex question of harmonizing social policies might also have to be considered if differences in labour costs were an obstacle to regional economic integration. In that event, a thorough investigation of all the factors involved would be required, on the basis of which measures would have to be prepared with great care and in the light of the given situation in order to ensure maximum efficiency.

9. It was thus apparent that the social aspects of regional economic integration schemes gave rise to many problems. The ILO was ready to participate in the common effort, its contribution necessarily being geared to the special context of each scheme.

10. In conclusion, speaking on behalf of the Director-General of his Organisation, he said that the ILO looked forward to ever closer co-operation with UNCTAD in achieving the common aim of raising the living standards of the people in developing areas of the world.

**Summary of statement made at the 52nd plenary meeting, 9 February 1968, by Mr. A. H. Boerma,
Director-General of the Food and Agriculture Organization of the United Nations ***

1. Mr. Boerma (Food and Agriculture Organization of the United Nations) said that FAO had long understood and respected the individual and concerted efforts of the developing countries to improve their position as exporters on the various agricultural commodity markets.

2. The FAO was particularly concerned with the world food problem, which was closely linked with trade and economic development, in that agricultural production predominated in the economies of developing countries, and would predominate for a long time to come, while it also represented their main source of foreign exchange. In many developing countries, agricultural production

was not growing rapidly enough—in some cases not even as rapidly as the population. Such a situation had forced some developing countries to import food, with a resulting drain on their foreign exchange resources and the curtailment of other imports essential to their development. Those trends had to be reversed. New production techniques and the use of new high-yielding varieties of cereals offered greater hopes for the future. Increased productivity would also release some of the labour employed in agriculture and supply capital for the expansion of other sectors. The agricultural sector was both the source of raw materials for processing industries and the largest potential market for domestic manufactures and semi-manufactures. It was therefore up to the developing countries to formulate their plans with a sense of the urgency of the food problem and of the role

* The complete text of the statement was circulated as document TD/68.

of agriculture in their national development. The FAO had identified suitable measures and policies for increasing agricultural production in a document which had been circulated to the Conference (TD/22).

3. Greater economic and technical assistance from developed countries was essential. Although the importance of the agricultural sector had been more widely recognized in recent years in bilateral and multilateral assistance programmes, the aid provided was still not sufficient.

4. Food aid was also of the greatest importance. In quite a number of cases the cereal imports of developing countries had largely been met by food aid. The running-down of surplus grain stocks made it necessary for the international community to make systematic provision for supplies for food aid. Developing countries with food surpluses should also share in the process.

5. In recent years FAO had stressed the importance of aid in the form of fertilizers, pesticides and farm machinery for raising agricultural production. Those responding to the call had included the member States of OECD and IBRD.

6. The three forms of aid referred to needed combining in such a way as to make a decisive impact on agricultural development. By virtue of its experience, FAO was particularly well placed to ensure that agricultural development aid was as effective as possible.

7. Aid, however, was not the only way in which the rich countries could help the poor nations to develop. Even more important in the long run was action which would enable the developing countries to expand their export earnings more rapidly, in accordance with the principles laid down in the Final Act of the first session of the Conference.⁹⁰ The prospects, however, suggested little likelihood of improvement, the reason being that many obstacles stood in the way of the conclusion and renewal of commodity agreements. Yet agreements would help to assure the stability and growth of the developing countries' export earnings. Certain fruitful negotiations had shown that the various parties concerned could reach agreement where the political will existed and interests dictated it. The FAO would do all it could to facilitate the conclusion of new agreements.

8. At the same time, however, alternative and more flexible methods of solving primary commodity problems should be explored. Certain moves had been made, notably in regard to jute, hard fibres and sisal. For some pro-

ducts, FAO was also investigating the possibility of financial arrangements with payments secured through import levies or export taxes. But commodity agreements and financial arrangements could not eliminate the deep-seated causes of the existing disequilibrium. New solutions had therefore to be sought. The most effective remedy would be to bring about adjustments in the economies of both developed and developing countries so as to ensure a better over-all use of resources. Diversification of production was a key step and the first in order of importance. Secondly, industry-wide groupings covering both natural and synthetic producers and users could be set up to deal with competition from synthetic products. They would facilitate exchange of information on production plans, costs and consumption trends. Greater resources should be devoted to research with a view to increased productivity, improved quality and new end-uses of products. Thirdly, adjustments were necessary in agricultural processing industries in the developed countries. With some commodities, there was no technical or economic reason why processing industries should not be established in the developing countries to the extent that developed countries gave up processing the commodities concerned and applied their resources to other purposes. The FAO was seeking to accelerate the pace of expansion of agricultural processing industries in the developing countries, but it laid stress on the need for gearing them closely to agricultural production. Lastly, although trade among developing countries could not be a substitute for trade between the developing and developed countries, it was nevertheless of great importance.

9. Co-operation between FAO and UNCTAD had been extremely fruitful owing to the increasing degree to which their activities had proved complementary. The FAO Conference had expressed the wish that this co-operation shall develop on an even firmer basis with a view to avoiding duplication of effort and ensuring the most efficient use of available resources. The FAO Conference had further stressed that the organization should respond as generously as possible to UNCTAD's requests for co-operation, and where necessary re-orient its own work to take full account of the new requirements arising from the existence of the latter organization. One of the primary purposes of UNCTAD in the agricultural commodity field was that its policy discussions and recommendations should influence the work of other organizations. A further example of co-operation was FAO's participation in several commodity negotiations. Co-operation between the two organizations also extended to manufactures and semi-manufactures, and particularly to forestry products. It therefore deserved strengthening, so that the objectives pursued by FAO and UNCTAD could be achieved to maximum effect.

⁹⁰ *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

**Summary of statement made at the 51st plenary meeting, 9 February 1968,
by Mr. George D. Woods, President of the International Bank for Reconstruction and Development**

1. Mr. Woods (International Bank for Reconstruction and Development) said that the Conference gave expression to the hopes of mankind that out of all the variegated and sometimes conflicting activities of peoples and nations

there would emerge some kind of rational order. Though the state of economic development must and could be improved, he was not going to recant the optimistic view he had often expressed that in many parts of the world

development was succeeding and that in many others it would begin to succeed. But, in many areas the situation was discouraging, even disturbing. In India, the home of one-seventh of all the human race, after twenty years of independence, substantial advances had been made in alleviating illiteracy, hunger, illness and want, but the tasks that remain were staggering in their size and complexity. Those who believed, as he did, that India was engaged in a labour of deep meaning for all the developing countries must be gravely concerned by the uncertainties that clouded its national life. India was an exceptionally dramatic case because of its size and its location on the troubled Asian continent; but it was by no means the only country where growth needed to be much faster if hope was not to dwindle toward despondency.

2. Why was that? Everyone agreed that the advance of the developing countries was of first importance to mankind. Representatives from the rich countries stated that belief no less vehemently and frequently than those from the poor countries. But the record showed that the agreement still needed to be followed up by decisions and deeds — by the rich and the poor — to give it reality and substance.

3. The basic reason was perhaps inertia. Social values were slow to change; and the institutions that gave them expression slower still. Inertia could only be overcome if the leaders of both the prosperous and the poor countries fully grasped the nature of the situations that confronted them.

4. For the less developed countries, it was earlier in their evolution than many of their Governments were aware. Perhaps 1,000 million people now lived in countries with modern economies, and stable political systems, where, broadly speaking, progress towards agreed social objectives was continuous. That left more than 2,000 million people living in countries that still faced the task of economic and social transformation. Some of those countries were well along the way; and it could be hoped that they would achieve stable societies and a relatively high standard of living within the next thirty or twenty years or even less. But other countries had scarcely begun the process: most important, some had still to achieve a semblance of political stability.

5. Every developing country, by definition, was still engaged in nation-building. Its main task was to become truly independent — not in a narrowly nationalistic sense, but in the sense of a society in charge of its own affairs, in which the individual citizen had opportunity to develop his own creative and constructive possibilities.

6. Many countries failed to meet that ideal by the simplest possible test: they could not feed themselves. About forty developing countries were net importers of food. The under-developed world imported \$4,500 million worth of food a year. So long as the poorer nations must continue to spend large amounts of precious foreign exchange on food imports, they would have to skimp on imports of the capital goods needed for development. It was abundantly clear that the under-developed countries must achieve much greater agricultural productivity if they were going to become modernized.

7. If one hallmark of the less developed countries was that they were hungry, another was that they had the

highest rates of population increase in the world. Of all the problems of the less developed countries, rapid population growth might be the most stubborn. The experience of Japan nevertheless offered a remarkable demonstration of what could be done, and some under-developed countries had already achieved a measurable reduction of birth rates.

8. The apparently humdrum business of preventing the loss of capital already invested could greatly improve standards of living throughout the less developed world. In the poorer countries, the very concept of maintenance was often lacking; and, for want of maintenance, those countries must unnecessarily spend many millions of dollars annually to replace industrial machinery, buildings, power and transportation facilities that had been reduced to the point of uselessness through lack of care.

9. Waste was nowhere more serious than in agriculture. It was said that of all the crops produced in the world each year, about one-third — mostly in the hungry countries — was lost to spoilage: insects, vermin, fungus and plant diseases. If that loss could be prevented through better storage, herbicides and pesticides, the food crisis would at least temporarily disappear, and the problem of development finance in many countries would be considerably lightened.

10. The developing countries must take measures to attract new investment. Countries that adopted policies and took measures to make private capital welcome would find that such a course encouraged the investment of public funds as well.

11. A task underlying all the other efforts was the improvement of human resources. Despite the high value that the developing countries placed on schools, the educational effort had been tragically weakened by the expenditure of funds to no good purpose: on unplanned and unbalanced educational systems, on outmoded curricula, and instruction not matched to the country's needs. That was a sector in which development assistance must encourage and support a greatly improved effort.

12. The tasks of economic development placed an exceptionally heavy burden on the leaders of the less developed countries. It was they, often in the most adverse and discouraging circumstances, who must stir the country's energies and wed them to the best use of resources; they who must create a sense of common purpose as the basis for orderly political evolution and change. There were many leaders in the less developed countries today who were courageous, selfless and devoted; but unhappily there were some who were not. There were instances of personal aggrandizement; waste through conspicuous and unproductive public expenditures; attempts to evade responsibility by blaming internal problems on other countries; failure to advocate and enforce necessary steps involving extra effort and a measure of sacrifice. And how to accomplish peaceful changes in the distribution of political power was a problem that remained unsolved in many of the less developed countries.

13. The high-income countries, no less than the developing ones, stood in need of a new perspective. For them the time was later than they seemed to think. The world was already well on the way to new extremes in the

imbalance of population and income. The swiftness of those trends was not sufficiently recognized.

14. Changes in population were proceeding at an increasing speed. The proportion of the world's population that lived in less developed countries, as compared with the number living in high-income countries, was today about two to one. Present trends would raise that ratio as high as three to one by the end of the century.

15. While the populous countries were rapidly becoming more populous, it was likely that the prosperous countries would go on becoming much more prosperous. On the basis of reasonable estimates, the gross national products of the high-income countries, which today totalled around \$1 million million, would at least quadruple by the end of the century.

16. The inescapable conclusion was that, to prevent an intolerable economic and political fission of the world, the development of the poorer countries required a more effective and constructive participation by the developed nations — and on a high-priority basis.

17. Present policies of development assistance showed too little recognition of that fact. The high-income countries did not seem to be thinking about tomorrow. Their aid policies had tended as much to mirror their own narrowest concerns as to focus effectively on the situation of the developing countries and its long-term meaning for the world as a whole. Up to now, bilateral programmes of assistance had had as one of their primary objectives helping the high-income countries themselves; they had looked towards financing export sales, towards tactical support of diplomacy, towards holding military positions thought to be strategic.

18. Those policies had not resulted in a clear view of the tasks that ought to be undertaken in the less developed world. They had tended to distort assistance in favour of things rather than people. They had favoured big construction which had required sales of big items of heavy equipment; they had delayed the attack on the fundamental problems of agriculture, population control and education. They had obscured important differences in the developmental problems of different countries and different regions. Some aid had not only failed to be productive: by doing the wrong thing at the wrong time, by making the wrong use of the slender resources available, at times it might actually have retarded economic growth. Solutions to the problems of trade between the rich and the poor — most particularly with respect to prices of primary products — had not been devised.

19. It was time to consider basic changes, of which he would mention three. Development assistance must turn away from expediency and towards effectiveness. It must show a much greater scepticism about the extent to which the technology of the high-income countries could simply be transferred to the under-developed. It had been a long and painful experience to discover that the development of agriculture in the poorer countries required different techniques from those used elsewhere. It was already evident that political institutions underwent a change when they travelled from the countries which gave them birth; and it might well be that forms of industrial and social organization, likewise, were not so transferable as currently supposed. Development finance must therefore dem-

onstrate a greater regard for important national, cultural and regional differences that made the problems in each developing society unique. Development assistance must be much more concerned with helping the poorer countries evolve the technologies and build the institutions appropriate to their own circumstances.

20. The second change needed was toward a greater modesty and realism in expectations. There was no such thing as instant or painless development. Development required profound changes, which would not only take time, but would lead to continuing turbulence and even violence. The nations providing assistance must realistically be prepared for that; they must not be easily discouraged.

21. The third and immediate change needed was improvement in the amounts and terms of capital transfers. The amount of those transfers, so far from keeping pace with what needed to be done, had tended to stagnate. Moreover, in many cases, capital was being transferred on terms that would weigh heavily on the capacity of the receiving countries to finance future growth. The outstanding external public debt of the developing countries as a group was something over \$40,000 million. The problem was not only to alleviate the terms of future assistance for the ten or so developing countries that owed half that debt to twelve or fourteen developed nations. There was an equally urgent need to extend terms — for amortization as well as interest — which would avoid similar problems in the future for the newer countries that were now at the point where they could use large sums for financing their development needs.

22. At the present time, some of the principal aid-giving countries were in the worst possible position: they were giving amounts of aid sufficiently large to irritate their own national legislatures, but too small to help accomplish real economic progress. No businessman would deliberately make less investment in an enterprise than was necessary for its success or on terms that would cloud its prospects; but that was what the developed countries, as a group, were doing today. If there was anything that should have been learned by now, it was to make the most of opportunities: the response to good performance in a developing country should be massive applications of development finance to multiply production and achieve lasting economic momentum.

23. There was evidence that the attitude of some high-income countries toward development assistance was beginning to change. The Governments of half a dozen countries — Canada, Denmark, the Federal Republic of Germany, Japan, the Netherlands and Sweden — had recently decided to increase their budgets for development assistance, in some cases by as much as 25 per cent annually over the next few years. Another step now well advanced, was to increase the resources of IDA. That second replenishment was intended to enable IDA operations to continue for a three-year period ending 30 June 1970, and would permit IDA to raise its commitments by an average of 60 per cent annually over the level which the first replenishment had been designed to achieve. Negotiations should be completed in a matter of weeks and action required by various legislative bodies would follow without undue delay.

24. But those were only thin streaks of light on a grey horizon. It was clear enough that the targets for development assistance often stated by the high-income countries, and thus far achieved only by France, could not be reached until well after the end of the present United Nations Development Decade, and then only if the tempo of increase quickened.

25. It was still his opinion that the developed countries would materially serve their own interests if they could achieve a unified and consistent perspective of the problems of growth in the less developed countries and of the importance of that growth to their own well-being. For that reason, he had suggested that a group of leaders of intelligence, integrity and prestige be brought together for the purpose of studying the consequences of twenty years of development assistance, assessing the results, clarifying the errors and proposing the policies which would work better in the future. That proposal had been under consideration by Governments and the reaction was generally favourable. He expected that the group would be assembled and that the study — in consultation with the countries of the Development Assistance Committee of OECD and the developing countries — would be started in the near future.

26. The international organizations, including the United Nations specialized agencies, the OECD and the regional development banks, had made a significant contribution to economic development and the preservation of peace; but it would be unrealistic not to recognize that they ran the risk of disappointing the public which supported them. One of the reasons was that they sometimes tended to contribute more to the world-wide surplus of oratory than to the stock of new ideas; another was their continuing proliferation. The time had come to establish new bodies only to carry out functions that clearly could not be performed by existing members of the international family; to allow organizations to concentrate on improving existing efforts; and to encourage more effective co-ordination and distribution of work among themselves. More should be done to co-ordinate and centralize the functions of research, fact-gathering

and reporting. In addition, international organizations must be alert to the need for new approaches. The tendency of any institution was to develop and apply standard formulae, and the IBRD Group was not immune from that tendency. For instance, it had been slow to finance state-owned enterprises because of the problem of ensuring their efficient management, and it had only scratched the surface in the matter of financing projects to promote tourism.

27. Advantage should be taken of the new opportunities being opened up by advances in technology. The following possibilities deserved special attention: first, greatly increased yields in agriculture through the availability of large quantities of fertilizers at low cost thanks to new processes for producing cheap ammonia; secondly, a considerable fortification of nutrition through the continuing development of plants producing high crop yields and containing high protein and caloric values; thirdly, overcoming water shortages by making sea water usable for drinking, for industrial use and eventually for agricultural use; and lastly, a world-wide slowing-down in rates of population growth based on simple, inexpensive and reliable methods of birth control.

28. He had addressed the meeting as a banker, and not as a diplomat, because he wished to bring a sharper feeling of urgency to the tasks of development. Despite past failings, much progress had been made and much more was in prospect. Sheer physical achievement in the less developed world had been tremendous, and infrastructures had been laid down on the basis of which other kinds of economic growth could and should proceed more rapidly. Furthermore, a growing number of people were acquiring the skills and attitudes which would accelerate that growth. The speed at which development moved forward would depend to a large extent on the spirit in which the older and richer countries, the newer and poorer countries and the international organizations conducted their common efforts. The qualities most required would be imagination and patience, mutual respect and tolerance. Finally, in view of the scale and seriousness of the responsibilities borne by national authorities, the international agencies should approach their task with humility.

**Summary of statement made at the 56th plenary meeting, 13 February 1968,
by Mr. Edgar Jones, Director of the Geneva Office of the International Monetary Fund**

1. Mr. Jones (International Monetary Fund) noted that the discussions which had taken place since the first session of the Conference had helped to clarify problems and identify issues but that progress in improving the economic situation of the developing countries had been disappointing. The impediments to progress—population pressures on scarce resources, inflationary trends, balance-of-payment difficulties, under-employment of labour and under-utilization of other resources — were well-known and international efforts to overcome them had been disappointing. The evident need for an appreciable increase

in the annual transfer of real resources to the developing countries would have to be met by loans which would help those countries to strengthen their balance-of-payment situations on an enduring basis.

2. An intensified and concerted international approach should be made to the removal of the remaining obstacles to the expansion of trade and development. The IMF's operations and policies covered both specific and more general problems, including that of improving the structure and stability of the international monetary system. In that connexion, the plan to set up international machinery to

create a supplement to existing reserve assets as the need arose was bound to facilitate any programme of action decided on by the Conference.

3. The IMF looked forward to continuing collaboration with UNCTAD on the subjects in which it had a direct interest and responsibility. To supplement basic documentation, it was distributing copies of its *Annual Report for 1967*, during which twenty-nine of its members, mostly developing countries, had obtained financial assistance and eleven had drawn on it to compensate export fluctuations. The amount available to members under stand-by arrangements had been increased from \$365 million in 1966 to \$1,800 million in 1967, the major part being used to support the new par value for the pound sterling. It was a source of satisfaction to IMF that the adjustments in exchange rates following the devaluation of sterling had been limited in number and conducted in accordance with the relevant provisions of the IMF's Articles of Agreement, thus minimizing disruptions in international trade and payments.

4. In addition, technical assistance had been provided in 1967 on various problems in fields related to the IMF's work. The widening of those facilities had reflected the growing needs of its members — and particularly the newly independent countries — and had provided a service which was crucial for the achievement of the broader aims of economic development.

5. The IMF had always attached great importance to the search for means of mitigating the adverse effects on development efforts of fluctuations in foreign exchange receipts from commodity exports. The IMF's compensatory financing facility had been revised in 1966 to take account, *inter alia*, of UNCTAD recommendation A.IV.17.⁹¹ The policy of compensatory drawings was kept under constant review: in spite of the points raised in that connexion in the Charter of Algiers (TD/38), however, it was felt that more experience should be acquired before contemplating further changes in the operation of that policy. The IMF had participated in all UNCTAD group meetings concerning supplementary financing and would continue to co-operate in such discussions.

6. It had recently been decided that the IMF staff would study the problem of stabilizing prices for primary products: work was already under way and a report on the subject would be prepared during 1968.

7. It had become apparent that the balance of payments of a number of the members of IMF was being disrupted by an increasing burden of external debt servicing. In some of the cases in which that burden had reached a critical level, the IMF at the request of the countries concerned, had actively assisted both debtors and creditors in their negotiations. The problems of external debt management demanded not only responsible action by borrowing countries but also acceptance of responsibilities by the capital exporting countries. It was important both that borrowers were not subjected to unrealistic short-term conditions of repayment and that the developed countries did not adopt measures impeding capital outflow to the developing countries.

8. Attention was also devoted in the 1967 *Annual Report* to the relationship between foreign exchange policies and economic growth. But implementation of the policies mentioned in the *Report* would in many cases not suffice to maintain the desired rate of growth, as there were a number of difficulties, relating to such matters as project implementation, improvement in the quality and quantity of domestic output and wider access to foreign markets, which could not be resolved by fiscal or monetary policies alone. Nevertheless, it would be difficult to attain a satisfactory rate of economic growth in the absence of a realistic exchange rate supported by appropriate domestic policies.

9. The Board of Governors of IMF, in approving the Outline for a Facility Based on Special Drawing Rights in the Fund,⁹² had taken full account of the views held by UNCTAD and by the Group of Experts on International Monetary Issues. It was expected that the Special Drawing Rights would be available to all members without discrimination and would be allocated according to IMF quotas. Participants would be able to exercise their new rights freely but would be expected to do so only if their balance-of-payments situation so required. In taking decisions concerning the creation or cancellation of those rights, all members would be fully represented.

10. Work was proceeding on the necessary amendments to the Articles of Agreement so as to provide a mechanism capable of countering any global insufficiency in reserves.

11. Of the items on the Conference's agenda (TD/61), many, he concluded, were of direct interest to IMF, which stood ready to co-operate in all discussions in which it could be of assistance.

⁹¹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. 1: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 52.

⁹² See IMF, *Summary Proceedings, Annual Meeting, 1967*, pp. 272-279.

INTER-GOVERNMENTAL ORGANIZATIONS

Summary of statement made at the 65th plenary meeting, 27 February 1968,
by Mr. Krishna Chand, Secretary-General of the Afro-Asian Rural Reconstruction Organization

1. Mr. Chand (Afro-Asian Rural Reconstruction Organization) said that rural development was indissolubly linked with higher agricultural productivity, the growth of which was largely dependent on the prices of

primary commodities. The countries of Africa and Asia were deeply concerned about trade in those commodities with the richer countries and looked forward to the formulation of a rational world policy for aid and trade.

2. His organization had at present twenty-five member States. Its main task was to identify the problems faced by a country or group of countries through carrying out on-the-spot studies and surveys, which were particularly concerned with promoting the marketing of agricultural commodities through co-operatives. Regardless of whether trade was carried out through co-operatives, the public sector or private enterprise, basic data had to be collected, and his organization had prepared a Directory on International Trade covering sixteen countries in Africa and Asia. The Directory included information on such subjects as agricultural production, imports and exports, trade patterns, customs and duties, and organizations dealing with international trade. In addition, an attempt had been made to analyse general trends over recent years.

3. Agricultural investment in respect of exportable commodities had been retarded as a result of the diversion of funds for war or defence purposes. It was essential to reverse that trend. During a recent visit to member States in the Middle East, he had personally witnessed the set-back in the development process. In his view, the United Nations and UNCTAD should establish permanent machinery for assessing the needs of the developing countries on a systematic and continuous basis. International aid could not, of course, take the place of a country's own efforts. The basic principle of his organization was that the Afro-Asian nations had to make self-help their starting point. However, as countries could not achieve much when acting alone, they realized that they must do more to help each other and to avoid dependence on the more affluent nations. The aid given by the Kuwait and Saudi Arabia was a pointer in the right direction. The scale of trade within the developing nations could develop at a much faster rate than had so far been the case.

4. The process of development included micro-overheads, which the Western countries had gradually

met over a period of 200 years. The developing countries, however, could not afford to wait so long, which explained the importance of external assistance in supplementing domestic resources. Unless basic needs were adequately met, it would not be possible for any developing economy to reach the take-off stage. His organization therefore laid strong emphasis on the need to stimulate non-governmental action to provide the necessary socio-economic framework within which external assistance could be used to the full. The mobilization of the masses for economic and social advancement was the foundation on which a more affluent economy could be built.

5. The attainment of that goal would require the transfer of technology. However, advanced technology could not be transplanted wholesale in the developing countries, but had to be introduced by stages. So far insufficient attention had been paid to the development of techniques in that field.

6. Sound planning was needed to ensure that proper use was made of external aid. In that respect UNCTAD could make a valuable contribution by carrying out objective assessments in the light of the assistance available and the needs of developing countries. Proper planning would minimize waste and encourage countries to make the best use of their own resources and external assistance. The Afro-Asian Rural Reconstruction Organization could help in cases where regional planning and pooling of resources were required. It could make available scientific data and studies which would help the developing regions to exchange their products and thus save export earnings. A great deal still needed to be done in that respect. The first necessity was to determine the needs of the developing countries with a view to carrying out properly planned and well co-ordinated programmes based on self-help and, where necessary, the regional approach.

Summary of statement made at the 70th plenary meeting, 22 March 1968, by Mr. Moustafa O. A. M. Badr, Liaison Officer of the United Arab Republic with the Asian-African Legal Consultative Committee

1. Mr. Badr (Asian-African Legal Consultative Committee), said that, as explained in document TD/L.3, his organization had been established in 1956 and now had a membership of fourteen Asian and African States. It had under consideration various questions concerning international trade law, and its secretariat had initiated a study of the laws and regulations of all Asian and African countries relating to investment, import and export controls, industrial undertakings and exchange control.

2. A number of representatives at the present session of the Conference had emphasized that the developing countries must seek to place trade relations on a sound legal basis in order to permit rapid expansion of their trade with the developed countries. The Secretary-General of UNCTAD had also stressed the importance of a progressive unification and modernization of international trade law. Some representatives had suggested the idea of a charter establishing a well-defined legal

framework and global plan for economic development. It was also vital to develop rules of international law prescribing standards for financial assistance procedures, analogous to the regulations governing credit transactions under municipal laws. Some representatives had suggested an inquiry by the Conference into the legal framework within which private investment could participate in the development process. A definition of the rights and obligations of foreign entrepreneurs in the developing countries could facilitate the process of investment. His Committee had already begun studies of some of those questions and would be happy to co-operate with UNCTAD in that field.

3. At the 44th meeting, the United Nations Under-Secretary-General for Economic and Social Affairs had expressed the view that differences in the levels and structure of taxation and in the laws governing company accounts were among the important factors influencing the decisions of companies in the allocation of resources

and the spread of technology, and that the harmonization of existing legislation with a view to establishing an acceptable international company law would be a useful step forward.

4. A study should be made of that and other subjects, including a clearer definition of the concept of "threat" of injury in respect of safeguard measures in a system of preferences, and the possibility of establishing a development sector in international law. Another point of interest to his organization was the suggestion that a special committee on preferences to prepare an agreement for submission to the Trade and Development Board before the end of 1968 should have a legal and administrative character rather than being merely a deliberative body. His organization would also be interested in co-operating with UNCTAD in reviewing international shipping legislation, particularly as it affected Asian and African nations. Existing legislation, as indicated in document TD/32 and Corr.1, was weighted in favour of the carrier or shipowner and against the shipper, and

hence the developing countries. There was great need for co-ordination and completion of existing international legislation in that field with a view to providing a truly international system of benefit to developing and developed countries alike. A new approach was also needed in the area of maritime insurance, for the existing conventions on the limitation of shipowners' liability obliged shippers to insure their cargoes twice over.

5. The Asian-African Legal Consultative Committee felt that work on the economic and commercial aspects of international legislation on shipping needed urgent attention, and that serious consideration should be given to the proposal by some members of the Fourth Committee that a standing committee of UNCTAD on international shipping legislation should be established (see TD/83 and Corr.1 and 2, para. 89). His organization was most anxious to co-operate fully with UNCTAD in the field of law and to assist in the formulation of principles in the areas covered by UNCTAD.

**Summary of a statement by Mr. Takeshi Watanabe,
President of the Asian Development Bank ***

1. Mr. Watanabe (Asian Development Bank) said that the Bank, established in 1967 with a nominal capital of \$1 billion of which \$200 million had been paid up and another \$100 million was to be paid in August 1968, granted loans for development purposes (e.g. to the Industrial Finance Corporation of Thailand) and was also active in the field of technical assistance in the region (e.g. food supply in Indonesia, agriculture and fisheries in Korea). Already, in its short experience, the Bank had come to recognize the value of the regional approach to development financing. Being an Asian institution, obtaining its finance and staff largely from within the region, and with voting control vested in Asian countries, borrowers and recipients of assistance from the Bank had the assurance that the Bank's activities were free of undue foreign influence. Because the Bank provided tangible evidence of regional initiative and self help, it had been

able to attract outside resources, financial and personnel, from thirteen non-regional members.

2. The Bank acted as catalyst in selecting worthwhile projects (e.g. agricultural surveys, transport surveys) and mobilizing regional resources for them — which in turn attracted additional external resources. In selecting projects, the Bank was not guided purely by the financial position of the country applying for assistance. Rather, the criterion it applied was what promise the particular project held out in the context of the long-term prospects of the country concerned.

3. The Bank would like to amplify and diversify its activities and for this purpose hoped, in due course, when conditions in world capital markets were propitious, to raise additional resources through bond issues. Furthermore, it hoped to receive, on concessional terms, contributions from developed countries to "Special Funds" to be used for the financing of projects in the region. At the regional level, the Bank's objective — the promotion of trade and economic development — was the same as that of UNCTAD.

* The complete text of Mr. Watanabe's statement was circulated in document TD/Misc. 49 on 22 February 1968 as he was unable to be present to deliver it personally.

**Summary of statement made at the 45th plenary meeting, 6 February 1968,
by Mr. T. E. Gooneratne, Deputy Commonwealth Secretary-General for Economic Affairs**

1. Mr. Gooneratne (Commonwealth Secretariat) recalled that the States members of the Commonwealth, which contained half the population of the developing countries, had recognized that their trade with each other must be seen in terms of world trade. The Commonwealth, whose members were at different stages of economic development, was not a self-contained economic bloc,

but saw the problems of trade and economic development in the widest context of global relationships. In its opinion, the second session of the Conference should not be seen as a confrontation between the richer and the poorer nations but as a constructive dialogue.

2. The Commonwealth had always endeavoured to make a contribution to the search for international

solutions to problems of development and in that spirit had launched the Colombo Plan some twenty years previously. For the same reason, the Commonwealth Prime Ministers had charged the Commonwealth Secretariat with maintaining the closest liaison with international organizations

like UNCTAD, and the Commonwealth Secretariat had great hopes for the outcome of the current session.

3. In conclusion, he hoped that the deliberations of the Conference would lead to closer co-operation between the industrialized and the developing countries.

**Summary of statement made at the 56th plenary meeting, 13 February 1968,
by Mr. A. M. El Banna, Secretary-General of the Council of Arab Economic Unity**

1. Mr. El Banna (Council of Arab Economic Unity) said that the first session of the Conference had clearly identified both the problems of trade and development and their possible solutions. The Final Act⁹³ could be considered as a new world economic charter governing international economic and trade relations and adapted to the structural change taking place in international economy. The present session's task was to follow up and implement the decisions taken in 1964. It should not be forgotten that these had been general hopes and expectations of substantial improvements in the situation of the developing countries. No purpose would be served by discussing at length issues which had been gone into repeatedly: the time for action had now come.

2. He attached particular importance to agenda item 14 relating to trade expansion and economic integration among developing countries and the role of international assistance in that field. It was one which deserved close attention, for co-operation and economic integration were vital to the developing countries and would greatly contribute to solving the other problems to be discussed at the Conference. A number of industrialized countries had formed economic groupings for the further consolidation of their economies, and it was even more important for the developing countries to form such groupings, failing which the gap between them and the advanced countries would become even wider and their development plans would have no chance of succeeding. Economic integration would enable the developing countries to achieve economies of scale and utilize unexploited resources, and would increase their bargaining power in world market, decrease their reliance on particular markets, eliminate waste of resources and facilitate scientific research.

3. The reports prepared by the secretariat (TD/B/68/Rev.1,⁹⁴ TD/B/85/Rev.1⁹⁵ and TD/B/137 and Add.1⁹⁶) contained an incisive analysis of the problem as well as a number of useful and concrete suggestions. The Conference should give serious consideration to those studies and recommendations with a view to obtaining solid results.

4. While the Council of Arab Economic Unity was in general agreement with the views expressed in those

documents, it attached particular importance to certain points.

5. Firstly, the developing countries should establish and implement their plans on a multinational basis while preserving the economic sovereignty of each member and paying due attention to the equitable distribution of benefits and balanced localization of industries or types of product. Thorough study of demand and lines of production, with harmonization of structural costs, would enable countries in a grouping not only to consolidate their economies but also to remove the various trade barriers generally caused by differences in price-cost structures. While the liberalization of trade was important for development in that it widened markets, co-ordination in other fields was vital for the liberalization of trade. Harmonization of plans created trade. The problem of development could not be tackled effectively if economic co-operation took the form of exchange of tariff concessions alone. While economic integration should be achieved by stages, it should be carried out as rapidly as possible within a framework of pre-established multinational development plans, grouping together countries in either the same or different regions.

6. Secondly, economic and trade links should be established between economic groupings to foster relations between developing countries.

7. Thirdly, UNCTAD, together with the regional economic commissions and other bodies concerned, should study the possibility of economic integration and the expansion of inter-regional trade. The role of the Group of 77 in that connexion would be important, and UNCTAD should arrange periodic meetings to allow representatives of the different groupings to exchange views.

8. Fourthly, without prejudice to the principle of non-discriminatory preferences, any group of developing countries demonstrating a spirit of self-help in respect of economic integration should receive aid from the developed countries and their groupings.

9. Fifthly, developing countries which were members of powerful economic groupings should not be deterred from multinational integration of their economies and plans.

10. Sixthly, bodies such as UNCTAD, UNDP, UNIDO and FAO should provide groups of developing countries with technical assistance for conducting studies and training staff.

11. Lastly, the developed countries and appropriate international and regional financial organizations should form consortia for the purpose of helping developing

⁹³ *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

⁹⁴ *Trade Expansion and Economic Co-operation among Developing Countries* (United Nations publication, Sales No.: 67.II.D.2).

⁹⁵ *Trade Expansion and Economic Integration among Developing Countries* (United Nations publication, Sales No.: 67.II.D.20).

⁹⁶ See *Official Records of the Trade and Development Board, Fifth Session, Annexes*, agenda item 11.

countries' groupings to fill the gap in their foreign exchange requirements caused by the implementation of their regional plans.

12. In the opinion of the Council of Arab Economic Unity, those seven points constituted the elements of an effective programme for trade expansion and economic integration in the developing countries.

13. Referring to the work of his Council, he called attention to the considerable degree of success it had achieved, despite the different stages of development reached by its members and their different economic and trade systems. The present membership consisted of Iraq, Jordan, Kuwait, Syria and the United Arab Republic. The Sudanese Government had also decided to join. The Agreement for Arab Economic Unity and the Council's decision to form an Arab Common Market could be regarded as efforts to foster economic and social development in the area. The Council was thus a grouping for development, trade being one aspect thereof.

14. Its activities in respect of trade included the liberation of local products from all tariffs and duties. To date, an 80 per cent reduction had been effected in respect of agricultural produce and a 40 per cent reduction in respect of manufactured goods. A standstill provision had been implemented, and no increase was permitted in the existing tariff levels. The Council had also approved a

project for a payments union which was expected to become effective in 1968.

15. Since the problems of trade and development were inseparable, the Council dealt with both sets of questions simultaneously. Three standing committees, appointed to deal with agriculture, industry and development plans respectively, were at present engaged in exchanging information, compiling statistical data and reviewing the potential of the different areas. They not only co-ordinated over-all plans but also studied individual industries. In addition, joint projects were to be set up which would enhance economic development and foster trade between member countries.

16. Those achievements had been registered within the space of three years — a very short span, particularly when compared with the initial periods in respect of the common markets of the highly developed countries. The Council had also solved the problem of differences in economic systems: in the field of trade, while customs administration was a matter for the government concerned, economic integration was effected in accordance with a joint plan but adapted to the particular system of each country.

17. In conclusion, he was happy to state that the Council was ready to participate in any endeavour that would realize UNCTAD's objectives.

**Summary of statement made at the 55th plenary meeting, 12 February 1968,
by Mr. N. Faddeyev, Secretary of the Council for Mutual Economic Assistance**

1. Mr. Faddeyev (Council for Mutual Economic Assistance) said that the problems of international co-operation and development of trade between all countries continued to be of increasing importance and urgency. The problems of the economic development of the developing countries of Asia, Africa and Latin America were inevitably of special importance. The solution of those problems was closely bound up with the establishment of a new system of international economic relations and of a new international division of labour. In that connexion it was essential to take into account the experience gained by the various countries and by international economic organizations such as CMEA. Fuller information on the Council's activities was to be found in the document entitled "Review of the economic, scientific and technical co-operation of CMEA member countries" (TD/60).

2. Although the member countries of CMEA had been at different stages of economic development and most of them had been among the least developed countries of Europe, they had succeeded in achieving a steady expansion of their national economies and of their economic, scientific and technical co-operation. Since the Second World War their industrial production had risen from one-sixth to one-third of the world total. Basic modifications had taken place in the structure of the economy of the CMEA countries. Such modifications were reflected in the foreign trade of those members of CMEA which

were in the process of industrialization. In Bulgaria, for instance, the share of machinery and equipment in total exports had increased from zero in 1950 to 25 per cent in 1965. In Hungary, it had risen from 23 to 33 per cent and in Poland from 8 to 34.5 per cent. Similarly, there had been substantial progress in industry, agriculture, science, culture and the standard of living of the member countries of CMEA. The tendency for differences in the economic development of the CMEA countries gradually to level off was clearly manifest. It was common knowledge that that progress was due to the social and economic transformation in the member countries of CMEA, which had enabled them to make the fullest possible use of their material and human resources. The accelerated economic development of the member countries of CMEA had been assisted by co-operation based on the principles of equality of rights, on respect for national sovereignty and national interests, mutual advantage and friendly mutual assistance. The purpose of CMEA was to assist in the planned development of its members' national economies, accelerate their economic and technical progress, increase the degree of industrialization of the industrially less developed countries and raise productivity and the standard of living by uniting and co-ordinating the efforts of the member countries.

3. Each member of CMEA was a sovereign State which was entirely free to lay down the targets, rate and direction of its own economic development. The main features of

economic relations between the member countries were the planning and the stability which could be achieved as a result of co-ordinating the national economic plans of member countries, thus enabling each of them to take account in its own national economic plan of the capacity and needs of the others. The CMEA countries had completed their third co-ordination of economic plans — the 1966-1970 plans. On the basis of bilateral negotiations and the co-ordination of plans within the CMEA bodies, the member countries had signed long-term agreements for the period 1966-1970. In 1966, the member countries and organs of CMEA had begun to draw up programmes and co-ordination schemes for their national economic plans for the period from 1970 onwards. Together with those co-ordinating activities the countries and organs of CMEA were working on the question of international specialization in industrial production. In addition, the member countries were co-operating in the scientific and technical field.

4. The member countries of CMEA had extended and strengthened their commercial and economic relations with all interested countries of the world, regardless of their economic and social systems, on the basis of the principles of equality, mutual advantage, respect for national sovereignty and national independence, and non-interference in the domestic affairs of States, and in accordance with the recommendations of UNCTAD. Every member of CMEA organized independently its trade with outside countries. Co-operation within CMEA did not run counter to the interests of other countries; on the contrary, it opened up opportunities for extensive trading with all the countries of the world. Between 1960 and 1966, trade between the member countries had increased by 58 per cent, while their trade with developing countries had increased by 137 per cent. Between 1960 and 1965, the total volume of imports by the socialist countries of Eastern Europe from the developing countries had doubled and imports of manufactured and semi-finished goods had increased more than fourfold. After the first session of the Conference, co-operation between the member countries of CMEA and the developing countries had continued to expand under long-term trade agreements. The volume of technical and economic assistance had doubled between 1964 and 1967. As far as finance was concerned, the member countries of CMEA granted long-term loans to the developing countries, the volume of which had increased by 78 per cent in 1964-1966 as compared with 1963. Those loans

were granted on favourable terms and were generally repaid in the form of the traditional export commodities of developing countries or of manufactured goods produced by their national industries, including those produced by the enterprises set up with the assistance of the CMEA countries. The member countries of CMEA provided assistance to the developing countries by sending them specialists and awarding them scholarships for training the necessary national personnel.

5. It was noteworthy that the economies of the member countries of CMEA and their mutual co-operation had developed not merely without any financial support from outside countries but actually in the face of a policy of economic blockade and discrimination practised by certain capitalist countries. Unfortunately, the policy of discrimination, including that based on differences in social and economic systems, was still being pursued at the present time and affected the interests of a great number of countries. A complete liberalization of trade, including trade between East and West, based on the principle of peaceful co-existence, would be in the interests of all countries.

6. UNCTAD was the most representative organization for dealing with questions of trade and development. However, not all the members of CMEA were members of UNCTAD. The German Democratic Republic was a full member of CMEA and had a very substantial place in world economy, but still had been deprived of the possibility of taking part in the work of UNCTAD. Legal grounds for the participation of the German Democratic Republic in UNCTAD were undeniable. That injustice should be remedied.

7. The development of economic co-operation between the member countries of CMEA and their co-operation with other countries contributed to the objectives of the United Nations Charter and the principles of UNCTAD. The consistent application to the economic co-operation of CMEA countries of the principles of equality of rights, respect for national sovereignty and national interests, mutual advantage and friendly mutual assistance, had undergone the test of time as an important factor of economic progress. The CMEA delegation sincerely hoped that the second session of the Conference would achieve fruitful solutions, paving the way to the strengthening of co-operation between nations for the benefit of peace and progress.

**Summary of statement made at the 52nd plenary meeting, 9 February 1968,
by Mr. Eduardo Martino, European Economic Community**

1. Mr. Martino (European Economic Community) was in full agreement with the concept of a global strategy of development: development was a complex phenomenon, a process all parts of which were interlocked, and concrete results could only be hoped for if all the different approaches suggested by varied situations were tried at the same time.

2. He recalled that the EEC member States, wishing through their common trade policy to contribute to the progressive removal of barriers to international exchanges, had recognized that the elimination of existing obstacles called for concerted action aimed at guaranteeing stability in expansion, equilibrium in exchanges and fair play in

competition; those objectives were the same as those of UNCTAD.

3. The criticisms levelled against the EEC would have been justified if the economic integration of the Six had led to their withdrawal from world trade. That had not been the case: the Community had always maintained a liberal, outward-looking trade policy and, thanks to the effects of the progressive integration of the six national economies, had succeeded in achieving an appreciable and steady increase in its exchanges with the outer world — not only with other developed countries including the State-economy countries of Eastern Europe, but also with the whole group of developing countries. European integration could therefore justly be said to have had a beneficial effect on the development of international trade during the preceding ten years.

4. Tariff adjustments such as those the Conference was studying at the moment constituted an important element in any effort to bring about economic expansion in the developing countries. But it was only a framework which had to be filled in in order to develop international trade in real terms and to accelerate the economic growth of the less-developed countries.

5. That objective required greater diversification of the national production of the developing countries, ensuring a progressive and dynamic modification of their current export pattern. That, however, obviously presupposed the establishment in the less-developed countries of a competitive manufacturing industry oriented towards more sophisticated production and enjoying a rapidly expanding demand, more particularly in the countries of the Third World themselves.

6. Naturally, it was exclusively up to the developing countries to measure the need for them to practise an effective policy of economic co-operation among themselves and of unification of their markets, in order to stimulate incentives to investment and to promote industrial specialization and the filling of gaps. Such intensification of trade between the developing countries would make it easier for them to gain the technical and commercial experience necessary if they were to compete on equal terms in the markets of the industrialized countries.

7. The progressive opening of the markets of the industrialized countries to the products of the developing countries, though constituting an important element of the policy of aid to development, would not in itself be sufficient to stimulate the expansion of the economies of

those countries and to bring about, through simple cause and effect, the diversification of production and industrial take-off. That was why it was necessary to introduce a whole set of supplementary measures designed to improve the economic structure of the countries concerned and to finance their productive equipment — as the Community had attempted to do within the framework of the co-operation existing between itself and one group of developing countries.

8. As regards the enhancement of the export earnings of the developing countries through a concerted policy of price stabilization for all primary commodities, and even of higher prices for some of those commodities in keeping with an expansion in their consumption so long as it did not involve a risk of over-production, experience had proved that such an objective was perfectly practicable. The Commission of the European Communities thought that cases should be considered individually and empirically through concerted action by the exporting and importing countries undertaken in a spirit of collective responsibility.

9. As for the possibility of according preferential tariff treatment to manufactures and semi-manufactures of the developing countries, the Community had showed interest in that formula since the beginning, in view of its importance for the developing countries and because it considered that such a system could promote and further stimulate the process of economic development of the countries of the Third World.

10. It was, however, obvious that the system could not become fully effective unless it was supplemented by purposeful action in the field of trade promotion. The Commission of the European Communities was ready, for its part, to envisage action conducive to promotion of trade in the manufactures of the developing countries. That action could at first be focused on the supply of information concerning the Community's rules with regard to commercial exchanges, but it could also subsequently include participation in studies to be undertaken concerning the Community's markets and the conditions of marketing of products of interest to the exporting developing countries. Close co-operation with the competent international bodies would, in addition, be ensured.

11. Finally, with respect to efforts at regional integration between developing countries, the Commission of the European Communities was equally ready, as far as lay in its power, to let the interested countries benefit from its own experience.

**Summary of statement made at the 49th plenary meeting, 8 February 1968,
by Mr. Felipe Herrera, President of the Inter-American Development Bank**

1. Mr. Herrera (Inter-American Development Bank) welcomed the establishment of financial bodies similar to IDB in Africa and Asia and at the regional level of the Central American Bank for Economic Integration. He noted with satisfaction that similar projects were being considered in the Caribbean and in the Andean region of

South America. IDB was associated technically and financially with some of those new bodies, and the Charter of Algiers confirmed the need for strengthening regional co-operation through appropriate financial machinery.

2. The Latin American countries had for a long time already aimed at better co-operation and greater inter-

dependence between their economies. The General Treaty of Central American Economic Integration,⁹⁷ the Treaty of Montevideo⁹⁸ and, more recently, the Declaration of American Presidents⁹⁹ were the principal landmarks of this integration process.

3. Integration had already produced tangible results. Between 1962 and 1966, trade in the Central American Common Market region had increased by 36 per cent per annum and that of LAFTA by 8 per cent. There was a significant increase of trade in manufactures. In the Central American region the export of those goods in 1966 amounted to 68 per cent of the total. In the case of LAFTA, exports of manufactures, though they represented a lower proportion of the total, had been increasing by 20 per cent per annum and constituted 70 per cent of the trade concessions negotiated by the member countries. Progress had also been made in regard to intra-zonal payments, the establishment of complementary industries, and the preparation and financing of projects benefiting the region as a whole. In that respect the IDB had in effect become the Latin-American integration bank.

4. The way to the goal of a Latin-American Common Market was, however, fraught with difficulties. The liberalization of trade was obstructed by the industries which had been set up after the Second World War to provide import substitutes and would not give up the strong tariff protection they enjoyed. The change from production for the domestic market to an export-oriented production presented serious problems not only with respect to the scale of production and higher investment costs but also to the necessity of setting up a special external trade promotion organization.

5. Another problem was the disparity between the degree of development of the different countries participating in the regional integration process. The aim must be an equitable distribution of the benefits of the integration policy for a more harmonious development of the region as a whole. As purely commercial measures were not sufficient, there was a tendency to use more effective forms of aid, mainly financial measures to prevent the less developed countries from lagging even further behind.

6. The constant deterioration of the external sector of the Latin-American economy was an inducement to seek a solution in regional co-operation. Analytical studies of the trade gap for Latin America had shown that full economic integration could reduce the deficit by half. As was shown in the documents provided by the secretariat of UNCTAD, Latin America was one of the regions most affected by "external strangulation". Its relative share in world trade, which was 10 per cent in 1950, had fallen to less than 6 per cent in 1967. The rate of growth of its imports, which was 3 per cent par annum, was equivalent only to the rate of population growth and was only half of the rate necessary

to maintain the desired growth of gross output at a minimum rate of 5 per cent par annum.

7. At Punta del Este, in April 1967, the Latin-American Heads of State undertook to lay the foundations of a Latin-American Common Market, the main results of which by 1985 should be a lowering of the tariff barriers, a common external tariff, an adequate investment policy and the general co-ordination of national policies. The meetings held at Alta Gracia in 1964¹⁰⁰ and at Tequendama in 1967¹⁰¹ showed a tendency among the Latin-American countries towards regional action to defend their primary exports and to co-ordinate their external trade policies.

8. The IDB, which had been established at the beginning of the present decade, was an expression of regional co-operation on the financial plane. Thanks to the participation of the United States, it had become in a short time the principal source of international financing for economic and social development projects in the region. It was providing to date \$2,500 million for some 450 projects of a total value of \$6,000 million. That vast contribution to the capitalization process in Latin America was felt in all the sectors of the Latin-American economy.

9. It should be specially mentioned that, since 1964, IDB had been financing the export of capital goods between Latin-American countries. Six of its member countries could thus export \$40 million worth of equipment and capital goods on terms which were competitive with those of more industrialized countries, thus supporting industrialization in the region.

10. The experience gained by IDB enabled it to make a number of observations. As the Secretary-General of UNCTAD had stated in his report (TD/3/Rev.1)¹⁰² international economic relations called for a global strategy. It was becoming increasingly obvious that trade and aid were complementary and interrelated. That was why financial co-operation for development could in many cases perform a useful compensatory function in situations where a country's economic stagnation was caused by weaknesses in the external sector of its economy. Efforts should be made to ensure that financial co-operation did not benefit only those developing countries which offered attractive conditions, often determined by the prosperity of their export trade. Moreover, the short-term financial difficulties sometimes experienced by the industrialized countries should not cause them to disregard the obligations imposed on them by the requirements of international solidarity. As could be seen from the Conference documents, the aim of the United Nations Development Decade was being lost sight of more and more. Because of the problem of international liquidity, the industrialized countries were not succeeding in transferring 1 per cent of their resources to the developing

⁹⁷ Signed at Managua, Nicaragua, 13 December 1960 (See United Nations *Treaty Series*, vol. 455 (1963), No. 6543).

⁹⁸ Signed at Montevideo, Uruguay, on 18 February 1960, establishing a Free Trade Area and instituting the Latin American Free Trade Association.

⁹⁹ Declaration made at the Meeting of Heads of State of the American States, held at Punta del Este, Uruguay, 12-14 April 1967.

¹⁰⁰ Meeting of the Organization of American States, held in Alta Gracia, Argentina, February-March 1964.

¹⁰¹ *Ad Hoc* Committee on Latin-American Co-ordination, Fourth Meeting at the Expert Level, Bogotá, Colombia, 25-30 September 1967.

¹⁰² *Towards a Global Strategy for Development* (United Nations publication, Sales No.: E.68.II.D.6).

countries. In the interests of the Third World it was important that a satisfactory solution to that problem should be found. The limitations of international financial co-operation were even more evident now that international financial organization had been greatly improved and the IBRD and its subsidiaries, the regional banks and bilateral aid bodies, had helped the new countries to absorb external aid more effectively.

11. Latin America's experience in that connexion has been decisive. In the course of the past decade all the Latin American countries had set up planning bodies and perfected their institutional structures so that they could better mobilize their internal and external resources. It was true that the rate of capital formation in relation to the gross national product did not exceed 18 per cent, which was inadequate for a continent where the rate of population growth was very high. Nevertheless, the proportion of foreign investments, which in the past had generally been 10 per cent, was showing a definite tendency to decline, capital formation depending increasingly on national economic activity. It should be noted in that connexion that from 1960 onwards the resources of the public sector obtained from taxation had in most cases increased by 25 per cent, while in Brazil and Mexico the increase had been 50 per cent. Efforts to combat inflation had been improved. Most of the Latin-American countries had opted for currency convertibility and had agreed to the commitments called for in article VIII of the Articles of Agreement of IMF. The two countries which had had the highest rates of inflation in 1964 had seen those rates decrease by half in 1967.

12. Should aid be multilateral or bilateral? That was an idle question. What was important was the volume of aid, the conditions in which it was granted and its applicability to the needs of the developing countries. Some of the obstacles with which organizations like IDB had to contend should be removed. Access to the financial markets of certain industrialized countries should be made easier; the difficulty of promoting development at interest rates of 7 and 8 per cent and even higher gave new force to proposals such as that made by Mr. Horowitz, Governor of the Bank of Israel.¹⁰³

13. Although its membership was limited to Latin-American countries, IDB had managed to obtain a significant volume of funds from non-member States through either the issue of bonds, loans, the sale of shares, or other operations. Those contributions could, in accordance with IDB's policy, be used for the purchase of capital goods and services in the contributing countries. It should also be remembered that almost 50 per cent of the external costs of the projects financed by IDB represented purchases from non-member countries.

14. To strengthen those resource mobilization techniques, IDB had suggested to the Commission of the EEC that it should establish, through the European Investment Bank, a multilateral fund which would be

administered by IDB in accordance with terms of reference to be determined by common agreement.

15. The role played by the Inter-American Committee on the Alliance for Progress in the multilateral evaluation of the development programmes and possibilities of international financing should also be noted.

16. The international community was justifiably concerned over the extraordinary increase in the external indebtedness of the developing countries caused by the weakness of their external sector and the onerous terms of international credit. In Latin America the hard currency debt had increased from \$4,300 million in 1955 to \$12,600 million in 1966. The cost of public external debt servicing had thus increased from 6 to 18 per cent.

17. In Latin America it had fortunately been possible, to a great extent, to grant loans on advantageous terms. The average interest rate paid to IDB by member States did not exceed 4 per cent, and 50 per cent of the credits advanced by the IDB could be reimbursed in local currencies, thanks to the financial aid policy pursued by member countries.

18. The IDB was pleased to note the support shown in the last few years for the institution of general preferences in favour of the manufactures of developing countries, although a preferential system would not necessarily produce a great increase in exports on suitable terms. To attain worthwhile results, the developing countries would have to broaden their industrial base and make their enterprises more profitable; in other words, they would have to achieve considerable progress in the technical sphere.

19. Latin America had been able to make up for the weakness in its external sector by an accelerated process of industrialization which had made it possible to maintain an annual growth rate of 6 per cent. In fifteen years its steel and electric power output had quadrupled and its cement output had trebled. Although the agricultural sector had been less dynamic, *per capita* food production had not declined. The food deficit therefore had not increased. With the establishment of a common market and the reorganization of international trade and international financial relations, it appeared that Latin America could anticipate a *per capita* income of \$700 for a population of 600 million by the end of the century. To achieve that goal, a higher rate of capital formation and more substantial foreign financial aid would be required.

20. Despite the tremendous difficulties facing it, Latin America was profoundly optimistic. The desire for progress on the part of its people was reflected in the revolution which was taking place in education and health. Between 1960 and 1966, university and primary school enrolments had increased by 80 per cent, while those for secondary schools had increased by 140 per cent. Water and drainage services were now available to 110 million people as compared with 60 million, while the population had increased by 20 per cent during the same period.

21. Latin America, like the Third World as a whole, hoped that the second session of the Conference would succeed in laying the foundation of an international economic order which would encourage and make productive the efforts of all its people.

¹⁰³ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), annex F, paras. 151-161.

**Summary of statement by Mr. Thorkil Kristensen,
Secretary-General of the Organisation for Economic Co-operation and Development ***

1. Mr. Kristensen (Organisation for Economic Co-operation and Development) said that OECD was composed essentially of developed market-economy countries, though some of them — in particular those of Southern Europe — were still in the process of development. OECD took a keen interest in matters considered by UNCTAD and in 1965 had set up a Special Group to formulate constructive and concerted policies by encouraging increased exports from developing countries. Although the Special Group had discussed the problem of arrangements for stabilizing markets for primary commodities, it had not considered the problem in detail, for the members of OECD had agreed that this question should be dealt with on a commodity-by-commodity basis. Accordingly, the Special Group's report (TD/56) concentrated on the formulation of the principles of a generalized arrangement for special tariff treatment for exports of developing countries in the markets of developed countries. Broadly, the Special Group suggested that preferential treatment should in principle be accorded to all manufactured and semi-manufactured products exported by any country claiming developing status; other products could be included on a case-by-case basis. Although a number of important questions relating to such arrangements still remained open, he hoped that countries not members of OECD, and especially the developing countries, would comment on the report. Their comments would be taken into account in the work envisaged by OECD after the Conference.

2. He drew attention to the passages in the report (part one, section I, and part two, para. 43) in which the Special Group expressed the hope that the proposed action would be matched by arrangements by the centrally-planned economy countries with a view to increasing the opportunities for exports of developing countries to those countries as well.

3. It was an important event that the OECD countries and Finland had reached agreement on a positive attitude in the matter of preferential treatment for the products of developing countries. The arrangements contemplated in the Special Group's report, together with the general tariff reductions agreed on during the Kennedy Round, should stimulate the export trade of the developing countries, contribute to the diversification of their economies and so promote their development.

4. Referring to the flow of aid and of other economic resources from the developed to the developing countries, he said that, while the developed countries themselves had recognized that the flow had not increased in recent years as greatly as might have been expected, the flow had increased substantially in 1967. Total disbursements of official aid by the members of the Development Assistance Committee (DAC) of OECD (including Australia) in 1967

had amounted to \$8.2 billion, as compared with \$7.2 billion in 1966. A number of donor countries had fixed targets which would raise their contribution to the equivalent of 1 per cent of their national income in the course of a few years. One of the reasons why the total flow of aid had not increased more was that two important donor countries — the United States of America and the United Kingdom — had experienced balance-of-payments difficulties. Measures being taken to overcome those difficulties should — in combination with action planned by European countries — lead to a more balanced situation beneficial to all countries.

5. As distinct from official aid, the flow of private investment from OECD countries and Australia into the developing countries had been rising in recent years. The investment took the form not only of a transfer of capital but also of the services of experts and skilled workers. In that connexion he referred to the report "The role of private enterprise in investment and promotion of exports in developing countries" by Dirk U. Stikker (TD/35/Rev.1).¹⁰⁴ The OECD had prepared a report concerning fiscal incentives to attract private investment and had participated in the study undertaken by BRD of a scheme for the multilateral insurance of private investments. In addition, OECD had recently published the text of a draft convention on the protection of foreign property, and an Advisory Committee of OECD had sent experts to a number of developing countries to inquire into the conditions for foreign private investment.

6. For obvious reasons, great emphasis was being placed on agriculture in many developing countries. The contribution of OECD to agricultural development in those countries took the form of studies and research concerning seeds, irrigation, fertilizers and other factors.

7. In response to a recommendation by DAC, he had written a report on "The food problem of developing countries" (TD/48) which reflected his personal views. The food problem was linked to two fundamental facts: first, the fast population growth in most developing countries; and secondly, the reduction in the available area of good cultivable land, especially in South and East Asia. As a consequence, a number of developing countries had to import increasing quantities of food, to the detriment of their balance-of-payments position. It was evident that the developing and the aid-giving countries were right in attaching great importance to agricultural development; that agricultural development had to be an integral part of general development policy, inasmuch as it necessitated an expansion of agro-allied industries; and that a well-considered population policy was essential. For all those purposes, carefully planned co-operation was needed between farmers, the agro-allied industries, the governments and the suppliers of aid. Various bodies of OECD were considering the proposals

* The complete text of Mr. Kristensen's statement was circulated in document TD/Misc.40/Rev.1 on 8 February 1968 as he was unable to be present to deliver it personally.

¹⁰⁴ United Nations publication, Sales No.: E.68.II.D.9.

he had made in his report with a view to making aid programmes more effective. More aid would no doubt be given in the form of food production resources, including research and education. Aid in the form of food should be supplied to the extent necessary, but it was to be hoped that it would be a declining part of the aid flow, for developing countries should be able to produce their own food or to import it commercially through earnings from their export trade.

8. Without wanting to minimize the formidable problems which remained, he thought that planning had become more realistic and the administration more efficient in a number of countries in recent years. Increasing rates of saving and expansion of education were other positive features. The vast resources of modern science and technology at the disposal of man were capable, given the right environment and policies, of transforming economic activities, as had been proved by the experience of various countries.

9. While for the reasons he had given it would remain necessary to accord high priority to agriculture for some time to come, in the longer term it was primarily through

industrialization that the developing countries would be able to expand their economies. Table I.3 of his report (TD/48) showed conclusively that the non-agricultural industrial sector was by far the most dynamic part of the economy of the developing countries, and accordingly he considered that the expansion of industry was the key to the achievement of developed status, as had indeed been the historical experience of the industrialized countries. The needs of the shorter-term agricultural development and those of longer-term industrialization could and should be reconciled. Last but not least, since knowledge was if anything more important than capital resources, every developing country should formulate sound plans for the evolution of its educational system and support research and other institutions. Experiments made by OECD in its developing member countries in the field of education had proved useful and were being repeated in a few non-member developing countries. The experience gained might be made more generally available, though naturally it would have to be adapted to the conditions in each individual country. For that and other reasons, there would have to be a continuing dialogue between developed and developing countries.

Summary of statement made at the 47th plenary meeting, 7 February 1968, by Mr. Carlos Sanz de Santa María, Chairman of the Inter-American Committee on the Alliance for Progress of the Organization of American States

1. Mr. de Santa María (Inter-American Committee on the Alliance for Progress) recalled that the countries of the inter-American system that were participating within the framework of the Alliance for Progress, in the multilateral effort to achieve economic and social development proclaimed by the Charter of Punta del Este in 1961,¹⁰⁵ had come full of hope to the first session of the United Nations Conference on Trade and Development. Four years later, it must be recognized that the recommendations adopted in 1964 had largely gone unimplemented. There had been no increase in the developing countries' share in world trade. The industrialized countries had not provided the financial assistance in the recommended amounts. Aid flows from capital-exporting countries had remained below 1 per cent of their gross national product. The Charter of Algiers (TD/38) contained ample evidence of those shortcomings. The development policy of the countries of the inter-American system, the guiding principle of which was self-help, was seriously inhibited, if not condemned to total failure, when certain external circumstances in world trade led to a deterioration in the trade prospects of the commodity-exporting countries, involving them in an exchange crisis and inflation, and thus creating a climate of economic and political instability.

2. Recalling that the Alliance for Progress had been set up in 1961, and ICAP — a mechanism responsible for

the administration of the multilateral Alliance programme — in 1963, he went on to review the activities undertaken and the results achieved, some of which were impressive. Member countries had come to understand that the submission of their economic development plans to review by a multilateral body did not in any way constitute a loss of sovereignty or a confession of weakness. In addition, the Committee had become the chief mechanism responsible for the formulation of a regional development strategy and, together with the Inter-American Development Bank, for co-ordination with the international financial community. Furthermore, ICAP had been able to strengthen the concept of the multilateralization of development financing. At the national level, it had also managed to bring about multiple reforms of the various institutional and administrative systems, while at the multinational level, major projects had been undertaken at its instigation, in particular in the road-building and telecommunications sectors, in order to promote integration. The idea of regional and sub-regional co-operation had been strengthened, and the Latin-American countries, with the support of the United States, had decided to establish a general common market by 1985.

3. Accordingly, the Latin-American countries were fulfilling the commitments they had entered into when they had acceded to the Charter of Punta del Este. It was all the more discouraging to find that one of the main reasons, if not the most important, for the slow economic growth in Latin America was the inability of the region to earn the export income needed to cover the imports that were essential for development.

¹⁰⁵ Charter establishing the Alliance for Progress within the framework of Operation Pan America, adopted at Punta del Este, Uruguay, on 17 August 1961, at a Special Meeting of the Inter-American Economic and Social Council of the Organization of American States.

4. Nevertheless, in absolute figures, exports had increased during the past fifteen years, but there was an ever-widening gap between import demand and export earnings. The deterioration in the terms of trade had been so marked that the purchase power represented by the nevertheless growing volume of exports had remained practically unchanged from the point of view of import possibilities. Consequently, it had been necessary, to a large extent, to pay for imports by a steady accumulation of the external debt. Moreover, the policy of industrialization aimed at import substitution was becoming increasingly difficult to pursue in Latin America, not only because of limitations inherent, for instance, in the size of domestic markets, but also because industry created a new demand for industrial imports. Consequently, Latin America was seeking to base its future industrialization on the expansion of exports.

5. Such a reorientation of policy would only succeed if the efforts already undertaken in Latin America to achieve economic integration and to promote and diversify exports were supplemented by changes in international trade policies affecting the trade of the developing countries, in particular their trade with the industrialized countries.

6. In that connexion, the granting by the developed countries of a generalized preferential system, on a non-discriminatory and non-reciprocal basis, would be most useful. At the Meeting of the Heads of State of the American States, held at Punta del Este, 12-14 April 1967, President Johnson had announced that the United States Government was ready to consider the possibility of granting non-discriminatory and non-reciprocal preferences to exports of manufactures and semi-manufactures from developing countries. The Latin-American countries hoped that, if such preferences materialized, they would also extend to primary commodities.

7. With regard to the question of preferences, the recommendations made to UNCTAD by OECD and those contained in the Charter of Algiers, differed in substance. Whereas the former proposed that the second session of the Conference should confine itself to a study of the principles on which a generalized preferential system might be based, the latter urged that an actual agreement be negotiated at the second session.

8. It would also be extremely useful, both for Latin American and other countries, if the Conference were to undertake at its second session a review of the project for supplementary financing envisaged by the IBRD.¹⁰⁶ The Conference should also consider the possibility, once the new monetary reserve units discussed at the meeting of the IBRD and IMF at Rio de Janeiro in September

1967¹⁰⁷ were created, of allocating a specific share of such units to the developing countries.

9. Furthermore, ICAP felt that the Conference should promote, as far as possible, the conclusion of commodity agreements and study the possibility of establishing regulatory buffer-stocks, at least for certain essential products.

10. It would not be enough, at the second session, merely to discuss principles. Fruitful negotiations must be initiated. For instance, the developing countries might submit, within a short prescribed period, a list of the manufactures they would be able to export, in the event that they were accorded the desired preferences. He pointed out that Latin America was the only region in the world which did not benefit from any preferential system for promoting trade. It was worth emphasizing that if preferences were generalized and made non-discriminatory, the countries at present benefiting from such preferences would not suffer any loss in their income. He hoped that the countries of Eastern Europe would make commitments which would hold out as many advantages as the preferences that might be granted by the developed countries.

11. The discriminatory preferences that often existed at present, and the protective barriers that were still maintained, were still a serious obstacle to access to world markets for Latin-American products. Thus, coffee, cocoa and bananas were still subject to quantitative restrictions, tariffs, etc., imposed by the countries of continental Europe. In particular, they suffered from the preferences granted by EEC to African countries and by the British Commonwealth to its member nations. Efforts to diversify and expand exports would fail if such obstacles were not removed.

12. In view of the problems of development, it was necessary to revise the estimates of requirements that had been valid in 1958, but were no longer so ten years later. As pointed out by the President of the United States, the goal of economic growth should be raised to a minimum level of 6 per cent per annum. The important thing now was to formulate concerted measures which would be adopted by all the developed countries and the developing countries. The President of IBRD had proposed that a group of at least twelve highly qualified experts in the field of development should be set up to study the achievements and shortcomings of twenty years of development assistance, to help clear up misunderstandings and formulate better policies. He had offered to help the governments concerned to finance the setting up of the group and to select its members. The President's proposal was designed to save the United Nations Development Decade from complete disaster. The Inter-American Development Bank and ICAP would be ready to contribute towards the success of that constructive project by making available all the technical resources, experience and statistical data at their disposal.

¹⁰⁶ See *Study on Supplementary Financial Measures — a study requested by the United Nations Conference on Trade and Development, 1964* (International Bank for Reconstruction and Development, December 1965).

¹⁰⁷ See IMF, *Summary Proceedings, Annual Meeting, 1967*.

**Summary of statement made at the 60th plenary meeting, 15 February 1968,
by Mr. Chadli Tnani, Permanent Consultative Committee of the Maghreb Countries**

1. Mr. Tnani (Permanent Consultative Committee of the Maghreb Countries) said that the Consultative Committee had been set up by Algeria, Libya, Morocco and Tunisia to further economic co-operation and integration. It had had to contend with the difficulties besetting all such regional integration projects, such as non-convertible currency, national protection policies, economies based above all on competing forms of agriculture, industrialization defined within national limits and inequality of development levels. Those difficulties, however, had been offset by the geographic and historic links between the countries, the economic potential of an existing market of 30 million consumers which would be increased to 40 million by 1980, the production possibilities of wider scale industry, improved investment prospects and mobilization of internal and external resources, the easier and cheaper training of qualified workers, increased facilities for applied and basic research and the possibility of more flourishing external trade.

2. The Maghreb countries had to their credit several multilateral agreements, the sectors covered including transport and telecommunications. Their most important achievement was the establishment, with the help of the UNDP and UNIDO of a centre of industrial studies to study integrated industrialization pro-

jects. The centre had started work in Tripoli on 1 January 1968.

3. The call made by the Secretary-General of UNCTAD for a global development strategy had the firm backing of the Maghreb countries and at their last meeting in November 1967 they had recognized that regional efforts could not be wholly successful unless they were carried on a global basis. They had therefore established a programme of integrated action within a global framework which it was hoped would be carried into effect by the end of 1968.

4. With the help of several international organizations, including UNCTAD, the Consultative Committee was carrying out technical studies on trade and customs barriers, industrial integration, a multilateral payments system and the establishment of a development bank. His experience — short as it was — of the Consultative Committee prompted him to suggest the setting up of a permanent committee within UNCTAD to discuss and follow up regional and inter-regional integration problems, which were too specific to be dispersed within UNCTAD's other permanent committees. If that suggestion was adopted, not only would his own organization benefit from it but UNCTAD would demonstrate that it provided a framework within which development problems could be debated, negotiated and solved.

Summary of statement made at the 61st plenary meeting, 15 February 1968, by Mr. Eduardo Palomo Escobar, Representative in Europe of the Permanent Secretariat of the General Treaty on Central American Economic Integration

1. Mr. Palomo Escobar (Permanent Secretariat of the General Treaty on Central American Economic Integration) said that his organization, which was one of the main organs of the Central American Common Market consisting of Costa Rica, Salvador, Guatemala, Honduras and Nicaragua, was following the work of UNCTAD with interest. In particular, it had come to the second session of the Conference to co-ordinate the positions of the Central American delegations on international trade.

2. As the Secretary-General of UNCTAD had rightly stressed, it would not be easy to arrive at definite compromise solutions on all the agenda items, but it should be possible to make some progress on financing and to reach agreement on the main lines of a general preferences system based on the principles of the Charter of Algiers. Similarly, if goodwill prevailed, it might be possible for the Conference to succeed in defining the general terms of a global development strategy and to achieve actual results in expanding trade between the developing countries, ensuring their economic integration, and increasing their shipping.

3. The Central American Common Market showed what surprising results could be obtained through eco-

nomie integration. Free trade now existed in that area for practically all commodities produced, and uniform duties had been established for 97.5 per cent of items listed in the customs nomenclature of Central America. In 1967 trade between States in the area totalled \$176 million. In 1966 it accounted for 18 per cent of the entire trade of Central America, as against 3 per cent in 1950. Ninety per cent consisted of manufactured and semi-manufactured commodities, whereas in 1950 that trade had consisted mainly of raw materials. At the same time, imports into Central America from other parts of the world had almost doubled and exports had likewise increased, although not enough to promote the trade balance of the area. The efforts and sacrifices demanded by a joint policy, in both the public and the private sector, were thus bearing fruit. Furthermore, the Governments of Central America were constantly setting themselves fresh objectives and drawing up new plans of action, such as the one adopted by the five Chiefs of States in April 1967, which contained provisions for a Customs and monetary union, regional infrastructure, a joint foreign trade policy, a common market for agricultural produce, an industrial policy, free movement of manpower and capital in the area, and which harmonized the requisite legislation so that economic integration

could be achieved. That plan also aimed at strengthening the bonds between the Common Market and Panama, expanding trade relations with neighbouring countries, including the West Indies, and encouraging sub-regional agreements and industrial agreements with other Latin American countries.

4. However, efforts in Central America were not backed by corresponding technical and financial assistance from abroad, nor did they have sufficient access to the markets of the developed countries. Recently, a European country had refused to give a Central American country the benefit of customs reductions adopted during the Kennedy Round because the Central American country was not a Contracting Party to the General Agreement on Tariffs and Trade, and the report of OECD on a special customs régime in favour of the developing countries (TD/56) did not contain adequate provisions in favour of the less advanced countries, contrary to the principles of the Charter of Algiers. The Central American countries therefore hoped that in studying measures for a global development strategy the Conference would bear in mind the fact that they were relatively less advanced countries and the efforts they were making to ensure their joint economic development.

5. As the Secretary-General of UNCTAD had stated in his report TD/3/Rev.1¹⁰⁸ it would benefit the least developed among the developing countries if the preferential system included processed and semi-processed agricultural

¹⁰⁸ *Towards a Global Strategy of Development* (United Nations publication, Sales No. E.68.II.D.).

products. That would enable them to set up export industries based on the processing of their own raw materials. The industrialized countries should recognize that the only way to fight poverty was to enable developing countries to industrialize themselves.

6. Pursuant to section G of the measures recommended in the Charter of Algiers, a group of fifteen developing countries, meeting in Geneva in December 1967, had drafted a report on measures to be taken in favour of the less advanced countries. Furthermore, the Declaration of the Heads of State of the American States, made at the Meeting held at Punta del Este, April 12-14, 1967, had provided for preferential treatment to be granted to the less advanced countries in the hemisphere. The ECLA had organized a second meeting of the same countries in October 1967 at which resolutions had been adopted on co-ordination between Central American countries, Panama, the West Indies and the less advanced South American countries.

7. Lastly, he stressed the advantages of trade expansion and economic integration among developing countries (agenda item 14). The experience of Central America had proved that integration was an effective factor for trade expansion and economic development, and its institutions could serve as an example in that respect. He hoped that notwithstanding the present material and financial difficulties — which, it was to be hoped, were only temporary — the Conference would achieve useful results in the fight against poverty and under-development.

UNITED NATIONS SECRETARIAT

Summary of statement made at the 44th plenary meeting, 6 February 1968,
by Mr. P. de Seynes, Under Secretary-General for Economic and Social Affairs

1. Mr. de Seynes (Under Secretary-General for Economic and Social Affairs) said that relations between the Economic and Social Council machinery and that of UNCTAD had very rapidly been placed on a sound footing and that they currently presented no problem which could not easily be solved. Efforts were being made to mobilize more effectively the extensive institutional system of the United Nations in order to establish a global strategy, a political will and a consensus which would doubtless lack the binding force of a treaty, but would nevertheless involve a series of mutual undertakings by which all parties concerned would consider themselves solemnly bound. The Conference's greatest achievement would doubtless lie in paving the way for that event.

2. Any discussion of global strategy must assign a central place to the sharing of technology. There was scarcely any room for doubt that the distribution of the currently sizable resources devoted to the various branches of technical development was alarmingly lopsided, but if some problems of direct concern to the under-developed countries were receiving funds which were insufficient to ensure a rapid solution, that was partly because research and development programmes were still primarily conceived within a national framework and often motivated

by considerations of power and national prestige. If those programmes were to a greater degree made subject to a system of multilateral discussion and decisions, they would certainly conform to more rational criteria and better fulfil the real needs of mankind. Thus, one of the most recent reports of the Advisory Committee on the Application of Science and Technology to Development¹⁰⁹ convincingly showed what could and should be done if modern management methods were applied to a crucial problem such as the shortage of protein foods in the diets of inhabitants of the developing countries, thus enabling many interested agencies to tackle that massive problem with maximum efficiency. The realization of such a plan in a limited but decisive sector would also serve as an example and help to create an atmosphere in which the future development of technology could be contemplated with greater optimism.

3. A concerted policy was currently needed to solve the problem of the transfer of technology. Technology had been disseminated through exchanges of personnel, study

¹⁰⁹ *International Action to Avert the Impending Protein Crisis* (United Nations publication, Sales No.: E.68.XIII.2).

abroad, the proliferation of technical and scientific publications and the host of co-operation programmes, but in an aimless manner and without reference to a global strategy.

4. Those developing countries which were becoming aware of the need for a scientific and technological policy were hesitating between various courses, wavering among various ways and guidelines. Whatever course was chosen, even if it was ostensibly the easiest one, which was imitation, a basic foundation of scientific and technical education and an institutional infrastructure were indispensable. Helping the developing countries to establish that indispensable foundation and ensuring them the necessary technical support should become one of the priority tasks of the United Nations family in the coming decade. The main lines of a global programme, itself based on regional plans, were being studied by the Committee on the Application of Science and Technology to Development, with the collaboration of the principal specialized agencies. It was well that the Conference should be aware of the effort which such a task represented in terms of both material and human resources and of the necessity of that effort if the transfer of technology was to be brought about under favourable conditions.

5. The problems involved in the international transfer machinery were complex. The patent and licence system had long been the primary vehicle for the dissemination of modern technology throughout the world. However, a host of obstacles hindered the developing countries' access to foreign technology despite the attempts made to adapt the patent system to the development of international trade. Indeed, the difficulty was largely ascribable to a profusion of choice arising from the constantly accelerating pace of innovation. The number and variety of processes among which choices had to be made greatly exceeded most developing countries, and even many industrial countries' capacity for assessment and analysis. Any effort to encompass such a vast array of information necessarily implied the establishment of certain international arrangements. One of the most important undertakings, the International Co-operation Information Retrieval Among Examining Patent Offices, which had had a membership of some twenty eastern and western industrialized countries, was seeking to establish a standardized classification of technical data, with the use of computers. That was a long-term project, but in view of its value for the industrialized countries themselves, it was to be expected that it would be carried forward with great energy and lead to the creation of centralized data storage facilities and exchange networks to which the developing countries could easily be connected.

6. As a recent United Nations study¹¹⁰ had pointed out, the patent system could be highly beneficial to the industrialization of the under-developed countries provided such countries were able to protect themselves against the abuses which were often inherent in monopolies. Several countries would establish regional co-operation centres or common technical facilities and the preparation, under the auspices of the Bureau of the International Union for

the Protection of Industrial Property and of the International Patent Institute, of a treaty of co-operation for the establishment of a system of international examination, which the various national patent offices could use, might go far to improve the situation and the United Nations should encourage such projects.

7. All those arrangements notwithstanding, the system of patents and licences could no longer play as important a role as formerly in the transfer of technology. Contemporary technical processes were often far too complex to lend themselves to the simple act of identification represented by registration and the issuance of a patent. What was "patentable" constituted only part of the whole body of knowledge necessary to the application of technical innovations.

8. In that context, attention was being increasingly focused on closer forms of association springing from the international movement of capital and on the development of an "international production" resulting from the existence of multi-national enterprises.

9. That phenomenon was not entirely new, but it had undergone considerable transformation; it currently centred less on the control of raw materials or the accumulation of financial power than on the characteristics of contemporary technology, i.e. the extreme complexity of technical processes, which meant that the same undertaking had ceaselessly to expand its range of products; the advantage of a highly developed system of scientific and technical research, which could be established only in the largest entities and often with State aid and, lastly, the new management techniques which led to the integration of an ever-increasing number of production factors.

10. A new form of social organization was emerging with major implications for the development of international relations. The statistical data available on that subject were still very sketchy. According to an estimate made in 1966, the production of American firms outside the United States amounted to \$80,000 million. No hasty conclusions should be drawn, however, from that impressive figure. Nothing indicated that the pattern of international production would have to be so radically transformed as to eliminate the small or medium-sized independent undertakings. It would even be unwarranted to conclude that technical innovation was a monopoly of the gigantic undertakings engaged in international production. On the contrary, it was suggested that active exploration of the wide field which remained open to the more conventional forms of industrial development should continue, as should the export prospects which the opening and development of the world market should provide them. However, there was also every reason to believe that the phenomenon of international production had by no means yet reached its full dimensions. It was already plain that ideological frontiers or differences of legal régime were no obstacle to it.

11. It was incontestable that international firms had played an especially dynamic role in the world economy during the post-war period. More often than not, their activity involved an actual transfer of resources and brought about progress in the international distribution

¹¹⁰ *The Role of Patents in the Transfer of Technology to Developing Countries* (United Nations publication, Sales No.: 65.II.B.1).

of factors of production, and they constituted a unique channel for the dissemination of the most complex techniques. One aspect of the question appeared to be of particular interest to the Conference, namely, the possibility of somewhat decentralizing production and achieving a specialization which would further the export of manufactures by the developing countries. The primary advantage offered by international firms, then, lay in the organization of a distribution and marketing system, the lack of which often constituted the major obstacle to expansion of the developing countries' exports. In 1963, the exports of products manufactured abroad by international firms with headquarters in the United States had been estimated at nearly \$5,000 million. It was probable that the developing countries still played a very minor role in that process, but considering that their productivity was still in some cases rising more rapidly than the cost of labour, whereas the opposite was almost invariably true in the industrial countries, their potential seemed appreciable. The appearance of those gigantic undertakings would create, and was already creating, problems for the new nations, many of which were still weak and undergoing a process of rapid change which made them vulnerable. Those changes must be borne in mind in examining the machinery of economic relations among nations and the rules which had hitherto governed them, and in particular the international monetary system. The concept of the desirability of balance-of-payments discipline should henceforth be considered in the light of the long-term requirements of international production, for that production created a new context. The lack of a minimum consensus with respect to that discipline was a dark spot in the current situation. It might cancel the effects of the monetary reform which had recently been decided on. Lacking a minimum theoretical agreement, the world economy was exposed to a multiplicity of unilateral steps in the very field in which long efforts appeared best to have paved the way for collective decisions.

12. All the institutional and political problems attendant on the establishment of international firms in the developing countries had also to be clearly pointed out, and first of all, it must be recognized that those firms were most often international only by the location of their activity. Some factors were, however, essential to favourable development: some degree of internationalization of ownership and control, growing participation by the personnel of the country of establishment in all phases of production including administrative functions and knowledge and understanding of peculiarities of the environment in which the industries were established. Those factors were dealt with in Mr. Stikker's report (TD/35/Rev. 1)¹¹¹ and in a document submitted by the secretariat to the Conference (TD/7/Supp.14). They set forth a new attitude and expressed the necessity for foreign undertakings to open a new chapter in their conception of their role and responsibilities in the light of the importance which they would henceforth assume in international relations and to expand their horizons beyond considerations of immediate productivity in order

to take into account the requirements of budding nationalism and the sensitivities which inevitably went hand in hand with it.

13. There was no reason to believe that such progress was not possible. Some experience had already shown that there were ways of reconciling the economic motives and the requirements of the host environment. That experience indicated the path to be followed; there should be more and more contacts between the initiators of international production, the Governments and the local enterprises, perhaps under the auspices of the international organizations. There was an urgent need to establish a dialogue between the parties concerned, and the decision of the International Chamber of Commerce to set up an advisory committee on that subject was most timely. From the constant confrontation of ideas, rules or "codes of conduct" sometimes emerged. Too often in the past, they had been placed under the heading of "protection of foreign interests". In that form, they had hindered rather than stimulated action. Such documents should, without seeking to regulate matters which it was naturally within companies' competence to decide, cover such varied subjects as labour relations, purchasing policy and access to technology, including the issue and use of patents. They should formulate the main outlines of a profits distribution policy, designed to minimize the disadvantages of transferring dividends abroad and to maximize the advantages of re-investing in the local economy. The institutional environment should be transformed so that the economic decisions of companies might more readily produce beneficial effects on the allocation of resources and the spread of technology. Too often, such decisions were influenced mainly by differences in the levels and structure of taxation, and in the law governing companies' accounts and their publication. It was an extremely complex task to harmonize systems of law relating to taxes and trade. It would no doubt be a long time before it could be hoped to establish an international company law that was acceptable to a large part of the world, but a start could already be made at drawing up the lines it should follow.

14. Meanwhile, a phenomenon which there was every reason to believe would increase with time could scarcely be left without at least a minimum of international supervision. There was a danger that international production might develop in an irrational manner rather than harmoniously, unless steps were taken to study new legal formulas, the possibilities of adjustment of existing systems, and the creation of international instruments which were already desirable and would one day prove to be essential.

15. Twenty years previously the Final Act¹¹² of the United Nations Conference on Trade and Employment held in Havana, 1947/1948 made reference to the role of enterprises, their restrictive practices and the harmful effects those might have on the international system. Taking chapter V of the Havana Charter as a basis, the United Nations had worked for some years to produce

¹¹¹ *The Role of Private Enterprise in Investment and Promotion of Exports* (United Nations publication, Sales No.: E.68.II.D.9).

¹¹² See *Final Act and Related Documents* (E/CONF.2/78).

an international convention on the subject, but had then abandoned the project. The problem had not been raised at the First session of the United Nations Conference on Trade and Development in 1964. The attitude towards competition and oligopoly, and views on the effects of the size of undertakings had altered in recent years. Arrangements among the various participants in international firms could now be considered not only from the standpoint of their restrictive aspects, but also from that of their considerable advantages from the point of view of pooling material and human resources for production and research and making better use of talent and financial resources. The formulating of common standards, and the creation of an international instrument to ensure that they were observed, could constitute important steps forward.

16. If one were nostalgic, one might deplore a current sweeping the world towards too rapid material and structural changes; it might be felt that the great task of

development would have more chance of success, and that it would be easier to construct a well-knit international system, if the pattern of world demand was more stable, if the evolution of technology devoured fewer resources, and if nations were less unequal. Adjustment to present conditions inevitably involved some upheavals. But it should give rise to a much greater degree of international co-operation. Movements of rebellion against technology were to be feared if the world did not become organized in a manner consistent with present knowledge. The solutions of withdrawal and autarky would then become much more tempting. For the world institutions set up immediately after the last world war, it would be a confession of defeat and impotence if they were unable to promote a less depressing alternative. That was the kind of dilemma which gave the Conference its dramatic character and which should also give it the strength to succeed.

**Summary of statement made at the 53rd plenary meeting, 10 February 1968,
by Mr. Rajendra Coomaraswamy, Assistant Administrator, United Nations Development Programme**

1. Mr. Coomaraswamy (United Nations Development Programme) said that since the first session of the Conference, the Administrator of the UNDP had taken every useful occasion to draw attention to the opportunities that existed within UNDP for providing larger pre-investment and technical assistance to the developing countries in those areas of development which UNCTAD itself had defined as critical areas for national and international action. At the same time, he had made clear the readiness of the UNDP to be actively associated with UNCTAD in those common endeavours, and he had been glad to participate in a series of meetings to that end.

2. Those consultations had proved successful in establishing means of systematic co-operation and co-ordination between all the international organizations concerned with providing technical assistance in matters of trade and development. Among other things, a relationship had been established between UNCTAD and UNDP which was enabling the latter to draw more and more effectively on the substantial knowledge possessed by the UNCTAD secretariat. Although not a participating and executing agency of UNDP, UNCTAD was nevertheless an integral part of the UNDP system. Its Secretary-General was a member of the Inter-Agency Consultative Board of UNDP and had the right to participate in the deliberations of the Governing Council with respect to matters within the scope of UNCTAD's activities. No less important, however, were the working arrangements by which UNDP looked to the UNCTAD secretariat, as the competent agency of the United Nations, for guidance with respect to trade questions. All requests for UNDP assistance to projects which had a bearing on trade were now submitted to the UNCTAD secretariat for assessment and advice, and UNDP looked to UNCTAD to help it define and develop the trade expansion possibilities in all projects where such possibilities might exist.

3. UNDP had also welcomed and participated in the consultations which had given rise to the decision that the

activities and resources of all United Nations bodies should be co-ordinated under a joint United Nations Export Promotion Programme. That action had added a new dimension to UNDP's relationship with UNCTAD as well as with UNIDO and the regional economic Commissions of the United Nations. The broadening of co-operation to include GATT and FAO was equally to be welcomed. The decision recently approved by the General Assembly (resolution 2297 (XXII)) to establish an international Trade Centre to be operated jointly by UNCTAD and GATT was one example of the kind of co-ordination which was needed in order to make the most effective use of the limited resources available.

4. The areas within the competence of UNCTAD where substantial needs for pre-investment and technical assistance existed, and where such assistance could be provided by UNDP's Programme at the request of developing countries, were primarily the fields of export promotion and marketing; trade expansion and integration among developing countries; foreign trade planning and projections; and invisibles, including shipping and tourism.

5. UNDP had submitted a paper (TD/54) to the Conference which set out in some detail the activities in which it was supporting the efforts of developing countries, either singly or in sub-regional or regional groupings. That paper should best be read in conjunction with UNCTAD's own report (TD/23 and Add.1) on technical assistance activities relating to trade. He drew attention to the fact that, at the end of 1967, UNDP, through its participating or executing agencies, had been implementing 163 projects which were related, directly or indirectly to some phase of trade expansion and which involved total UNDP earmarkings of \$63.6 million.

6. The Administrator and the Governing Council of UNDP attached special importance to the growing recognition among the developing countries of the value of regional trade development. The regional economic com-

missions and UNCTAD itself had done much to foster that recognition and to encourage Governments to see that trade among the developing countries offered a promising avenue for future growth, through the rationalisation of export production and the integration of small and fragmented markets. For its part, UNDP had welcomed the opportunities which had already been given to it to assist in that respect and it stood ready to give further support to integrated regional development.

7. On a broader horizon, the Administrator had noted with satisfaction the decision of UNCTAD at the present Conference to consider once more the question of the measures and co-operation which were needed in order to increase the flow of capital and technical assistance to the developing countries. That question was of vital concern to UNDP, since one of its basic objectives was to stimulate investment and since it also had to add to its own resources. On various occasions, the Governing Council of UNDP, as well as the General Assembly of the United Nations, had recognized that a major obstacle to an increased rate of investment in developing countries was the lack of well-prepared and financially attractive projects, as well as the inadequacy of follow-up initiative. In response to that concern, a number of efforts were currently being made within UNDP to bridge the gap between pre-investment and capital investment. An internal review of UNDP projects completed during the last two years, aimed at highlighting the investment features of the projects and bringing them to the attention of all possible interested investors, was then in progress.

8. UNDP had followed with great interest the evolution of the concept, within UNCTAD, in the General Assembly and in other organizations in the United Nations' system, that the approach to the problems of development and the action to solve them should take place within the framework of a global strategy for development and international co-operation, requiring con-

vergent measures on the part of both developed and developing countries. In the brief lifetime of the component parts of UNDP — namely, the Expanded Programme of Technical Assistance and the Special Fund — international technical assistance had evolved from piecemeal, unrelated efforts to a conscious endeavour to relate UNDP assistance to needs and priorities carefully defined in national development plans and programmes and to a growing extent in regional development as well. That evolution was far from complete, but it was well enough advanced to have demonstrated to Governments and to UNDP itself that the effectiveness of technical and pre-investment assistance increased in direct ratio to the degree of relationship of that assistance to economic and social objectives that were properly defined and made the targets of concentrated development effort.

9. The UNDP system possessed the organization, the experience, the techniques and certainly the will to play its full part in meeting the demands of a global strategy of development. Its horizons were limited only by the limits of its financial resources. A recent study by the Administrator had shown that the anticipated needs of the developing countries for assistance from the Programme in all fields during the three years were far in excess of the rate of growth needed to raise the financial resources of the Programme to the level of \$350 million by 1970. Unfortunately, even that rate of growth was not yet in sight; the pledges to the UNDP Programme for 1968, totalling some \$180 million, were only slightly more than one-half of the target figure for 1970. As the Administrator had recently pointed out, it would be tragic if — for lack of what would, after all, be only a modest increase in a modest total of resources — the gradually gathering momentum of development were to be lost in the remaining years of the 1960s. What happened between the present time and 1970 was certain to have a pervasive impact throughout all of the following years.

ANNEX VI

Organizational matters

1. The second session of the United Nations Conference on Trade and Development was held at the Vigyan Bhavan, New Delhi, India. It was opened on 1 February 1968 by the Temporary President, Mr. Abdel Moneim Kaissouni (United Arab Republic), who had presided over the first session of the Conference held at Geneva in 1964.

2. At the opening meeting of the second session (37th plenary meeting), the Conference elected as President of the Conference Mr. Dinesh Singh, Minister for Commerce of India, who made a statement. The Conference took note of the report (TD/58) of Mr. Paul R. Jolles (Switzerland), Chairman of the Preparatory Meeting of Senior Government Officials which had been held at New Delhi from 29 to 31 January 1968, adopted the rules of procedure (TD/63),¹ and constituted five Main Committees of the whole as had been recommended by the Trade and Development Board at its fifth session (see paragraph 8 below).

3. At the 38th plenary meeting, the Conference elected twenty-seven Vice-Presidents and Mr. José A. Encinas del Pando (Peru) as Rapporteur.

4. The Vice-Presidents elected were: Algeria (Mr. Laya-chi Yaker); Bolivia (Mr. Remberto Capriles Rico); Bulgaria (Mr. Ivan Boudinov); Canada (Mr. K. Goldschlag); Ceylon (Mr. J. R. Jayewardene); Democratic Republic of the Congo (Mr. André Kazadi); Federal Republic of Germany (Mr. Walter M. Weber); France (Mr. Maurice Viaud); Ghana (Mr. S. J. Otu); Indonesia (Mr. Soebroto); Ivory Coast (Mr. Koffi Aoussou); Japan (Mr. Ryuji Takeuchi); Madagascar (Mr. J. Rabemananjara); Mexico (Mr. Plácido García Reynoso); Nigeria (Alhaji Shettima Ali Monguno); Norway (Mr. Jens Boyesen); Pakistan (Mr. Abdul Ghafoor Khan Nawabzada Hoti); Philippines (Mr. Marcelo S. Balatbat); Romania (Mr. Gheorghe Radulescu); Syria (Mr. Oman Abou Rishe); Thailand (Mr. Upadit Pachariyangkul); Trinidad and Tobago (Mr. W. Andrew Rose); Turkey (Mr. Pertev Subasi); Union of Soviet Socialist Republics (Mr. N. S. Patolichev); United Kingdom of Great Britain and Northern Ireland (Mr. S. Golt); United States of America (Mr. Joseph A. Greenwald); Venezuela (Mr. Manuel Perez-Guerrero).

5. At its 39th plenary meeting the Conference unanimously adopted the following agenda (TD/61):

1. Opening of the Conference
2. Election of the President
3. Adoption of the rules of procedure
4. Constitution of Committees and election of their officers
5. Election of the Vice-Presidents and the Rapporteur

6. Credentials of representatives to the Conference:
 - (a) Appointment of the Credentials Committee
 - (b) Report of the Credentials Committee

7. Adoption of the agenda

8. General statements of Heads of delegations

9. *Trends and problems in world trade and development*

(a) Review of recent developments and long-term trends, implementation of the recommendations and other provisions of the Final Act of the first Conference-consideration of further action²

(b) Steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development (see Annexes A.I.1, A.I.2, and A.I.3 of the Final Act of UNCTAD, 1964)

(c) Trade relations among countries having different economic and social systems including problems of East-West trade, paying attention particularly to the trade interests of developing countries and taking into account the work in this field of other United Nations Organs, including the regional economic commissions

(d) Impact of the regional economic groupings of the developed countries on international trade including the trade of the developing countries

(e) Consideration of measures leading to the improvement of the international division of labour

(f) The world food problem — its relationship to international trade, export earnings and economic development of developing countries; measures to assist them to increase their food production and to improve the conditions for its distribution and marketing

(g) Special problems of the land-locked countries

(h) Transfer of technology, including know-how and patents

10. *Commodity problems and policies*

(a) Review of recent developments and long-term trends in commodity trade including activities of commodity groups and other commodity bodies in the light of recommendations and other provisions of the Final Act of the first Conference³

² The purpose of sub-item (a) is to provide delegations with general factual information about the subject matter of the item. No general debate is expected, since such a debate will take place under item 8.

³ *Idem.*

¹ The text of the rules of procedure will be published separately.

(b) Main elements of commodity policy including international commodity arrangements and other techniques of commodity market stabilization;

- (i) Operation and financing of buffer stocks;
- (ii) Role and financing of diversification programmes;
- (iii) Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from export of primary commodities

(c) Programme for the liberalization and expansion of trade in commodities of interest to developing countries

(d) Problems arising from the development of synthetics and substitutes

11. *Expansion and diversification of exports of manufactures and semi-manufactures of developing countries*

(a) Review of recent developments and long-term trends in trade in manufactures and semi-manufactures in the light of recommendations and other provisions of the Final Act of the first Conference ⁴

(b) Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to the developed countries

(c) Programme for the liberalization and expansion of trade in manufactures and semi-manufactures of interest to developing countries

(d) Measures for the promotion, expansion and diversification of exports of manufactures and semi-manufactures from developing countries; co-operation with the United Nations Industrial Development Organization aimed at the establishment and expansion of export-oriented industries in developing countries; other forms of economic, industrial and technical co-operation

12. *Growth, development finance and aid (synchronization of international and national policies)*

(a) Review of recent developments and long-term trends in the light of recommendations and other provisions of the Final Act of the first Conference ⁵

(b) Financial resources and requirements of developing countries and measures to accelerate their economic development:

- (i) Increasing the flow of international public and private capital;
- (ii) Improving the terms and conditions of aid;
- (iii) Alleviating the problems of external indebtedness;
- (iv) Improving the mobilization of internal resources

(c) Supplementary financial measures

(d) Compensatory financing facility

(e) International monetary system — issues relating to development finance and trade of developing countries

13. *Problems of developing countries in regard to invisibles including shipping*

(a) Review of recent developments and long-term trends in the field of invisibles including shipping and international legislation thereon in the light of recommendations and other provisions of the Final Act of the first Conference ^{6, 7}

(b) Level and structure of freight rates, conference practices and adequacy of shipping services — progress report on studies by the secretariat

(c) Shipping industry in developing countries including expansion of merchant marines of developing countries

(d) Consultation machinery in shipping

(e) Port improvements — progress report on studies by the secretariat

14. *Trade expansion and economic integration among developing countries, measures to be taken by developing and developed countries — including regional, sub-regional and inter-regional arrangements*

15. *Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development*

16. *General review of the work of UNCTAD*

(a) Activities of the organs of the Conference

(b) Technical assistance activities relating to trade, including training of technical and special staff of developing countries

17. Election of members of the Board

18. Other business

19. Adoption of the report of the Conference to the General Assembly.

Appointment of the Credentials Committee

6. The Trade and Development Board at its fifth session recommended in part one, paragraph 22 (a) of its report ⁸ that the Credentials Committee of the Conference should be composed of the same countries as were members of the Credentials Committee of the General Assembly at its twenty-second session. In conformity with that recommendation, the Conference at its 39th plenary meeting on 2 February 1968 appointed its Credentials Committee consisting of the representatives

⁶ *Idem.*

⁷ In this review due regard should be given to the activities of the Inter-governmental Maritime Consultative Organization and other competent international organizations in this field in order to avoid unnecessary duplication.

⁸ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14.*

⁴ *Idem.*

⁵ *Idem.*

of Ceylon, Ecuador,⁹ Ireland, Japan, Madagascar, Mali, Mexico, the Union of Soviet Socialist Republics and the United States of America.

Bureau of the Conference

7. Under rule 22 of the rules of procedure of the Conference, the Bureau of the Conference consisted of the following thirty-four members: the President and twenty-seven Vice-Presidents of the Conference, the Chairmen of the five Main Committees and the Rapporteur of the Conference. The Bureau of the Conference assisted the President in the general conduct of the business of the Conference and, subject to the decisions of the Conference, ensured the co-ordination of its work. The Bureau met throughout the second session, as required.

Allocation of agenda items and establishment of other sessional bodies

8. At its 38th plenary meeting on 2 February 1968, the Conference established the following five Committees of the Whole for detailed study of and report on specified items of the agenda: First Committee — commodity problems and policies (agenda item 10); Second Committee — expansion and diversification of exports of manufactures and semi-manufactures of developing countries (agenda item 11); Third Committee — growth, development finance and aid (synchronization of international and national policies) (agenda item 12); Fourth Committee — problems of developing countries in regard to invisibles including shipping (agenda item 13); and Fifth Committee — trends and problems in world trade and development (agenda item 9, except sub-items 9 (f), (g) and (h)).

9. At its 58th plenary meeting on 14 February 1968, the Conference decided, in conformity with a recommendation by its Bureau, to establish the following three working groups:

Working Group I to consider and report on item 9 (f), the world food problem — its relationship to international trade, export earnings and economic development of developing countries; measures to assist them to increase their food production and to improve the conditions for its distribution and marketing, and on item 9 (h), transfer of technology, including know-how and patents;

Working Group II to consider and report on item 14, trade expansion and economic integration among developing countries, measures to be taken by developing and developed countries — including regional, sub-regional and inter-regional arrangements — and on item 15, special measures to be taken in favour of the least developed among the developing countries aimed at expanding their economic and special development.

Working Group III to consider and report on item 9 (g), special problems of the land-locked countries.

10. The Conference further decided that Working Groups I and II should each be composed of fifty-five States members of the Conference, the distribution of seats conforming to that of the Trade and Development Board, and that Working Group III should be composed of thirty-four States members of the Conference, the distribution of seats conforming to that of the Bureau of the Conference. Furthermore, the Conference decided that participation in the Working Groups would be open to all interested delegations.

11. At the 62nd and 64th plenary meetings, the three Working Groups were constituted as follows:

Working Group I

Algeria, Australia, Argentina, Barbados, Belgium, Brazil, Bulgaria, Cambodia, Canada, Central African Republic, Ceylon, Chile, Congo (Democratic Republic of), Czechoslovakia, Denmark, Ecuador, Ethiopia, Federal Republic of Germany, Finland, France, Ghana, Guinea, Guyana, Holy See, Hungary, India, Indonesia, Italy, Jamaica, Japan, Kenya, Lebanon, Madagascar, Malaysia, Mexico, Netherlands, New Zealand, Norway, Pakistan, Poland, Republic of Viet-Nam, Romania, Rwanda, Spain, Somalia, Sudan, Sweden, Switzerland, Thailand, United Arab Republic, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Yugoslavia.

Working Group II

Afghanistan, Algeria, Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Bulgaria, Burma, Burundi, Ceylon, Chad, Chile, Colombia, Congo (Democratic Republic of), Czechoslovakia, Denmark, Federal Republic of Germany, Finland, France, Greece, Guatemala, Hungary, India, Iran, Iraq, Ivory Coast, Japan, Liberia, Madagascar, Malaysia, Mexico, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Philippines, Poland, Republic of Korea, Romania, Spain, Sweden, Switzerland, Syria, Tunisia, Turkey, Uganda, Union of Soviet Socialist Republics, United Arab Republic, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Uruguay, Venezuela.

Working Group III

Afghanistan, Argentina, Austria, Bolivia, Brazil, Bulgaria, Chad, Chile, Congo (Brazzaville), Czechoslovakia, Federal Republic of Germany, Holy See, Hungary, India, Iran, Italy, Laos, Lesotho, Luxembourg, Mali, Mexico, Nepal, Pakistan, Peru, Senegal, Sweden, Switzerland, Thailand, Turkey, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Upper Volta, Zambia.

12. The Conference further decided that each Working Group would elect a Chairman, Vice-Chairman and Rapporteur.¹⁰

¹⁰ The Main Committees and the Working Groups elected their officers as shown below:

First Committee: Chairman: Mr. Djime Momar Guéyè (Senegal)
Vice-Chairman: Mr. Vladimir Rudolph (Czechoslovakia)
Rapporteur: Mr. Yeo Ben Poh (Malaysia)

(Continued on next page.)

⁹ Since Paraguay, a member of the General Assembly's Credentials Committee, was not at the time represented at the second session of the Conference, it was agreed that its place should be taken by Ecuador.

13. All the remaining items on the Conference agenda, that is other than those allocated to the five Main Committees and the three Working Groups, were dealt with by the Conference itself in plenary (see TD/75 and Corr. 1).

Appointment of "Friends of the Rapporteur"

14. At its 60th plenary meeting on 15 February 1968, the Conference agreed, on the recommendation of its Bureau, that the Rapporteur of the Conference would be assisted in the preparation of his draft report by a group of ten "Friends of the Rapporteur" to be drawn from the various geographical groups of countries, with due regard to the observance of linguistic balance.

Membership and attendance

15. Notifications of the convening of the second session were sent to the 132 States members of UNCTAD, that is, the States Members of the United Nations, members of the specialized agencies of the United Nations and of the International Atomic Energy Agency. Representatives of the following States attended the second session: Afghanistan, Algeria, Argentina, Australia, Austria, Barbados, Belgium, Bolivia, Brazil, Bulgaria, Burma, Burundi, Byelorussian Soviet Socialist Republic, Cambodia, Cameroon, Canada, Central African Republic, Ceylon, Chad, Chile, China, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cuba, Cyprus, Czechoslovakia, Denmark, Dominican Republic, Ecuador, Ethiopia, Federal Republic of Germany, Finland, France, Gabon, Gambia, Ghana, Greece, Guatemala, Guinea, Guyana, Holy See, Honduras, Hungary, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Ivory Coast, Jamaica, Japan, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Liechtenstein, Luxembourg, Madagascar, Malawi, Malaysia, Mali, Malta, Mauritania, Mexico, Monaco, Mongolia, Morocco, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Pakistan, Peru, Philippines, Poland, Republic of Korea, Republic of Viet-Nam, Romania, Rwanda, San Marino, Saudi

Arabia, Senegal, Sierra Leone, Singapore, Somalia, South Africa, Southern Yemen, Spain, Sudan, Sweden, Switzerland, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Arab Republic, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia, Zambia.

16. The following regional economic commissions of the United Nations and specialized agencies were represented at the Conference: Economic Commission for Europe, Economic Commission for Asia and the Far East, Economic Commission for Latin America, Economic Commission for Africa, International Labour Organization, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, World Health Organization, International Bank for Reconstruction and Development, International Monetary Fund, Inter-Governmental Maritime Consultative Organization. The United Nations Economic and Social Office in Beirut was represented.

17. The Contracting Parties to the General Agreement on Tariffs and Trade were also represented.

18. The following inter-governmental bodies were represented:¹¹ African Groundnut Council, Afro-Malagasy Common Organization, Afro-Asian Rural Reconstruction Organization,¹² Asian-African Legal Consultative Committee,¹² Commonwealth Secretariat,¹² Council of Arab Economic Unity, Council for Mutual Economic Assistance, European Economic Community, Inter-African Coffee Organization, Inter-American Development Bank, International Union for the Protection of Industrial Property, League of Arab States, Organization of African Unity, Organization of American States, Organization for Economic Co-operation and Development, Organisation of Petroleum Exporting Countries, Permanent Consultative Committee of the Maghreb Countries,¹² Permanent Secretariat of the General Treaty on Central American Economic Integration, International Cotton Advisory Committee, International Lead and Zinc Study Group, International Tin Council.

19. At its 41st plenary meeting, the Conference agreed that certain inter-governmental bodies should be invited to participate in the discussions on agenda item 14. The following inter-governmental bodies participated: African Development Bank, Asian Development Bank, Central African Customs and Economic Union¹³ and East African Community.

(Continued.)

Second Committee:	Chairman: Mr. K. W. Ryan (Australia) Vice-Chairman: Mr. Christopher Musoke (Uganda) Rapporteur: Mr. Akhtar Mahmood (Pakistan)
Third Committee:	Chairman: Mr. J. Everts (Netherlands) Vice-Chairman: Mr. Lal Jayewardene (Ceylon) Rapporteur: Mr. José Antonio Palacios (Guatemala)
Fourth Committee:	Chairman: Mr. L. P. Lindenberg Sette (Brazil) Vice-Chairman: Mr. K. Dabrowski (Poland) Rapporteur: Mr. O. Heyman (Sweden)
Fifth Committee:	Chairman: Mr. J. Nyerges (Hungary) Vice-Chairman: Mr. E. Schmid (Austria) Rapporteur: Mr. M. Z. Shafei (United Arab Republic)
Working Group I:	Chairman: Mr. D. Santa Maria (Chile) Vice-Chairman: Mr. P. Tanasie (Romania) Rapporteur: Mr. H. S. Kristensen (Denmark) later: Mr. H. Ewerlöf (Sweden)
Working Group II:	Chairman: Mr. M. H. A. Onitiri (Nigeria) Vice-Chairman: Mr. R. Navaratnam (Malaysia) Rapporteur: Mr. D. Laloux (Belgium)
Working Group III:	Chairman: Mr. M. A. Aghassi (Iran) Vice-Chairman: Mr. V. Pavera (Czechoslovakia) Rapporteur: Mr. A. S. Mohale (Lesotho)

¹¹ Except in the cases noted below, these inter-governmental bodies had been designated by the Trade and Development Board for the purposes of paragraphs 18 and 19 of General Assembly resolution 1995 (XIX) to participate under rule 80 of the rules of procedure of the Conference.

¹² The Conference approved the application of these inter-governmental bodies to be designated for the purposes of paragraphs 18 and 19 of General Assembly resolution 1995 (XIX) and thereby to participate under rule 80 of the rules of procedure of the Conference.

¹³ The Conference subsequently approved the application of this inter-governmental body to be designated for the purposes of paragraphs 18 and 19 of General Assembly resolution 1995 (XIX) and thereby to participate under rule 80 of the rules of procedure of the Conference.

20. The following non-governmental organizations were represented at the second session: Afro-Asian Organization for Economic Co-operation, International Bar Association, International Chamber of Commerce, International Chamber of Shipping, International Confederation of Free Trade Unions, International Co-operative Alliance, International Federation of Agricultural Pro-

ducers, International Federation of Christian Trade Unions, International Federation of Cotton and Allied Textile Industries, International Organization of Employers, International Union of Official Travel Organizations, Union of International Fairs, World Federation of Trade Unions, World Federation of United Nations Associations.

ANNEX VII

Reports of Main Committees and other sessional bodies

A. REPORT OF THE FIRST COMMITTEE

CONTENTS

	Paragraph	Page
<i>Introduction</i>	1-9	232
<i>Chapter I.</i> Review of recent developments and long-term trends in commodity trade . .	10-15	233
<i>Chapter II.</i> Main elements of commodity policy	16-25	234
<i>Chapter III.</i> Operation and financing of buffer stocks	26-32	235
<i>Chapter IV.</i> Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from export of primary commodities	33-38	236
<i>Chapter V.</i> Problems arising from the development of synthetics and substitutes	39-50	237
<i>Chapter VI.</i> Role and financing of diversification programmes	51-61	239
<i>Chapter VII.</i> Programme for the liberalization and expansion of trade in commodities of interest to developing countries	62-78	240
<i>Chapter VIII.</i> Action taken by the Committee on the draft resolutions, recommendations and proposals before it	79-82	243

APPENDICES

I. Draft resolutions, decisions and declarations submitted to the First Committee	243
II. Draft resolution adopted by the First Committee	257
III. Preliminary documents submitted to the Contact Group	258

NOTE. The check list of documents prepared for and during the deliberations of the First Committee appears in annex X to the report of the Conference.

Introduction

1. At its 37th (opening) plenary meeting on 1 February 1968, the second session of the United Nations Conference on Trade and Development established the First Committee and referred to it for consideration and report item 10 of the agenda, in conformity with the recommendation made by the Trade and Development Board at its fifth session.¹ Item 10 of the agenda, as adopted, reads as follows:

Commodity problems and policies:

(a) Review of recent developments and long-term trends in commodity trade including activities of commodity groups and other commodity bodies in the light of recommendations and other provisions of the Final Act of the first Conference; *

* The purpose of sub-item (a) is to provide delegations with general factual information about the subject matter of the item. No general debate is expected since such a debate will take place under item 8.

¹ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, para. 22 (c).

(b) Main elements of commodity policy including international commodity arrangements and other techniques of commodity market stabilization:

(i) Operation and financing of buffer stocks;

(ii) Role and financing of diversification programmes;

(iii) Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from export of primary commodities;

(c) Programme for the liberalization and expansion of trade in commodities of interest to developing countries;

(d) Problems arising from the development of synthetics and substitutes.

2. At its first meeting, held on 2 February 1968, the Committee elected as its Chairman Mr. Djime Momar Guéyè (Senegal). At its third meeting, on 6 February, it elected Mr. Vladimír Rudolf (Czechoslovakia) as Vice-Chairman and Mr. Yeo Beng Poh (Malaysia) as Rapporteur.

3. The Committee held thirty-three meetings, in the course of which it considered item 10 and all its sub-items.²

4. At the Committee's third meeting, on 6 February, the Chairman drew attention to a communication he had received from the President of the Conference concerning the allocation of item 10 to the Committee (TD/II/C.1/1). After some discussion concerning the order in which the Committee might consider the various sub-items of item 10, it was agreed that the Committee should consider sub-items (b), (b) (i), (b) (iii), (d), (b) (ii) and (c) of item 10, in that order.

5. For the purpose of drafting the Committee's report to the Conference the Rapporteur was assisted by a group of "friends" designated by the various groups of countries. The Committee considered the draft of its report to the Conference at its 29th to 32nd meetings and adopted its report unanimously at the 32nd meeting, on 19 March.

6. The Committee being a committee of the whole, participation in its deliberations was open to representatives of all States members of the Conference.

7. At the Committee's 15th meeting, on 21 February, the representative of the Food and Agriculture Organization of the United Nations (FAO) introduced the reports on the second and third sessions of the Study Group on Oilseeds, Oils and Fats.³ Representatives of the International Bank for Reconstruction and Development (IBRD) and International Monetary Fund (IMF) addressed the Committee at its 26th meeting, on 1 March, in connexion with the study being prepared by those organizations on the problem of stabilization of prices of primary products, its possible solutions and their economic feasibility.

8. The representative of the International Cotton Advisory Committee (ICAC) participated in the Committee's deliberations and addressed the Committee at its 18th meeting, on 23 February. The representative of the International Tin Council (ITC) and the International Lead and Zinc Study Group participated in the Committee's deliberations and addressed the Committee at its 22nd meeting, on 27 February.

9. The representative of the International Confederation of Free Trade Unions, a non-governmental organization admitted as an observer under rule 81 of the rules of procedure of the Conference, addressed the Committee at its 15th meeting, on 21 February.

Chapter I

Review of recent developments and long-term trends in commodity trade (Agenda item 10 (a))

10. The Committee did not hold a general debate on item 10 (a) of its agenda. However, many references to the

subject-matter of this item were made in statements on the other matters on the Committee's agenda.

11. The representatives of the developing countries laid particularly strong emphasis on the continuing fall in the developing countries' share in world exports, on the downward trend in their terms of trade and on the continuing instability of many commodity prices. They pointed out that, while the prices of their imports of manufactured goods tended to rise, the prices of primary commodity exports, on which they depended heavily for their foreign exchange earnings, showed a long-term downward trend. They also drew attention to serious recent declines in the prices of certain commodities, notably rubber, tropical oilseeds and oils, beef, jute, hard fibres and iron ore, and to the persisting depression in the free market for sugar. They urged that such declines be halted and that action be taken to improve commodity price trends.

12. The representatives of developing countries stated that the growth of their export earnings had been inadequate to sustain a satisfactory rate of economic development. They claimed that the problems of primary commodities had been aggravated since the first session of the Conference in 1964, and deplored the slow progress made in tackling them, as well as the failure of many developed countries to implement the relevant recommendations adopted at the first session,⁴ particularly those relating to improved access to markets. They further expressed their concern at the increasing degree of protection in developed countries for a number of products of export interest to developing countries and at the increasing difficulties faced by natural products owing to the encroachment of synthetics and substitutes. Attention was also drawn by those representatives to the aggravation of difficulties faced by some of their primary products as a result of disposals of surplus stocks by certain developed countries. They drew attention also to the fact that no new international commodity agreement had been concluded since the first session of the Conference. In welcoming the announcement of the successful re-negotiation of the International Coffee Agreement, those representatives called upon the developed market-economy countries participating in the negotiations on cocoa and sugar to show the same will to reach agreement and the same spirit of compromise as had been shown by the countries participating in the coffee discussions.

13. The representatives of developed market-economy countries pointed out that in recent years the export earnings of the developing countries had increased at a rate substantially above that achieved in the 1950s. They nevertheless shared the disappointment of the developing countries that greater progress had not been made since the first session of the Conference in tackling commodity problems. They noted, moreover, that agreements on tin, olive oil, wheat and coffee had been renewed, that informal arrangements had been concluded for certain other commodities for the benefit of producing and consuming countries and that co-operation in commodity groups had been intensified. They generally considered that there was

² For an account of the Committee's deliberations, see the summary records of the first to the 33rd meetings (TD/II/C.1/SR.1-33).

³ FAO documents CCP 67/26 and CCP 68/3, respectively.

⁴ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 26-34.

need for further international action on commodity problems and, in particular, expressed the hope that international agreements on cocoa and sugar would be speedily concluded.

14. The representatives of socialist countries shared the concern of the developing countries over the adverse trends in primary commodity markets and stressed particularly the need of implementation by developed market economy countries of the recommendations of the first session of the Conference relating to international action on commodity problems. In that connexion they drew attention to the steps taken by their Governments to expand imports of commodities from developing countries and to the substantial increases in those imports which had actually occurred since the first session.

15. In the discussions of the Committee, representatives of some countries listed in part B of the annex to General Assembly resolution 1995 (XIX) recalled that part B of that annex included countries at different stages of economic development and with differing trade structures and that part B thus embraced a number of countries heavily dependent on the export of primary commodities. Representatives of some of those countries indicated that they shared many of the problems of developing countries in relation to international trade in commodities and that their attitudes on particular matters discussed in the Committee reflected that situation.

Chapter II

Main elements of commodity policy (Agenda item 10 (b))

16. The need for an integrated international commodity policy on the lines suggested in the secretariat study on the subject (TD/8 and TD/8/Supp.1) was strongly urged by the representatives of the developing countries and the socialist countries. Those representatives were anxious to formulate and adopt a general agreement on commodity arrangements, embodying the main principles of such an integrated policy. They considered that efforts to reach such an agreement would facilitate and guide the search for solutions to commodity problems.

17. The representatives of the developed market-economy countries acknowledged the value of the secretariat study on an integrated commodity policy as providing a useful framework within which possible action to deal with the problems of individual commodities could be considered. Although representatives of some developed market-economy countries were prepared to study further the possibility of drawing up a general agreement on commodity arrangements, most representatives of developed market-economy countries emphasized that the difficulties of drafting such an agreement would be formidable and expressed the view that it would therefore be more useful to concentrate on a commodity-by-commodity approach.

18. The representatives of developing countries stressed that they wished the Conference to agree on a concrete programme of action on commodity problems on the

lines set out in the relevant section of the Charter of Algiers (TD/38). The representatives of socialist countries generally supported that position.

19. The Committee recognized the importance of commodity exports in providing foreign exchange earnings to developing countries and highlighted the need to give further emphasis to the development approach in international commodity policy. With regard to international commodity arrangements, the Committee recognized the value for both consuming and producing countries of the stabilization of prices; equitability of prices; and wide access to markets, particularly as a means of facilitating the rational planning and implementation of programmes to accelerate the economic growth of developing countries. It was also agreed that, in view of the wide diversity in the market structure of different commodities, stabilization schemes would need to be approached on a commodity-by-commodity basis. In that connexion the attention of the Committee was drawn by the representatives of the socialist countries of Eastern Europe to the existing structure and organization of marketing of primary commodities. They proposed that that question be included in the future studies of the UNCTAD secretariat.

20. The Committee discussed commodities that were currently causing problems to individual countries. Representatives of developing countries, while not setting any order of priority, favoured the list of commodities indicated in the Charter of Algiers as the ones for which commodity stabilization or other arrangements should be urgently considered. The representatives of developing countries proposed the addition of phosphates to that list. Representatives of developed market-economy countries did not agree that all of those commodities called for urgent action and suggested that any list for priority attention be restricted to the number of commodities which could receive the necessary attention in any one period of time. Representatives of socialist countries, while generally supporting the proposal of the developing countries, indicated specific commodities which in their view could be included in such a list.

21. The representatives of developing countries and socialist countries of Eastern Europe favoured the establishment of a time-table for the implementation of already agreed measures and for the holding of inter-governmental consultations on an agreed list of commodities, designed to clear the way for the negotiation of formal or informal stabilization arrangements. Representatives of developing countries suggested a period of one to two years for the completion of initial consultations. Representatives of developed market-economy countries urged flexibility in that respect and stressed that such consultations should be carried out after the Secretary-General of UNCTAD had consulted with interested member Governments and within the framework of study groups and similar bodies wherever those already existed. The representatives of socialist countries emphasized the need to strengthen the co-ordinating role of UNCTAD in international commodity action.

22. The Committee recognized the need for a periodic review of the evolution of commodity problems and of progress made in dealing with them. It was agreed that

the existing UNCTAD machinery, notably the Committee on Commodities, should be used for this review.

23. The Committee generally welcomed the initiative taken by the Boards of Governors of IMF, IBRD and the International Development Association (IDA) to study the conditions in which those organizations could participate in the elaboration of mechanisms for the stabilization of primary commodity prices at remunerative levels and devote thereto the necessary resources.

24. With regard to commodity arrangements of an informal character, representatives of developing countries, supported by representatives of some developed market-economy countries, suggested that developing producing countries should enter into consultation with a view to improving the market prospects for the primary products of particular interest to them, as had been done successfully, for example, in the case of tea, sisal and pepper.

25. In its discussion on commodity policy, the Committee recognized the need to take special account of the interests of the least developed among the developing countries, both as producers and consumers. In that connexion reference was made to the relevant part of the Charter of Algiers.

Chapter III

Operation and financing of buffer stocks (Agenda item 10 (b) (i))

26. The Committee generally agreed that the operation of buffer stocks in association, as appropriate, with other market stabilization techniques within the framework of commodity agreements was a practicable mechanism for substantially reducing short-term price fluctuations in certain commodity markets. It was stressed, however, that in cases of commodities in structural imbalance between supply and demand, other measures would be more appropriate for promoting stable long-term equilibrium. For certain commodities, it was felt that informal arrangements might also be an effective means of eliminating excessive price instability. The representative of one developing country expressed his doubts as to the buffer-stock technique and rejected production control and diversification for developing countries as appropriate means for solving the problems faced by primary commodities in world trade.

27. The representatives of socialist countries of Eastern Europe stressed the importance of the role that might be played by long-term bilateral agreements and contracts, notably within the framework of international commodity agreements, which they considered to be also a means capable of contributing to commodity market stabilization. The representatives of several socialist countries of Eastern Europe, while recognizing fully the importance of the conclusion of international commodity arrangements, possibly accompanied by a buffer-stock mechanism, expressed the opinion that such arrangements were unable to correct structural defects in international economic relations, in particular defects in the international division of labour, and that in consequence, both

commodity arrangements and buffer-stock mechanisms could be considered only as auxiliary measures.

28. The Committee agreed that adequate finance was necessary for the success of stabilization schemes involving buffer stocks. Representatives of developing countries felt that where an examination of the problem of a particular commodity revealed that an international buffer stock should be established, adequate funds for pre-financing should be made available by the existing international financial institutions and/or by the developed countries.

29. Representatives of developing countries deplored the fact that the burden of the financing of the tin buffer stock had to be borne entirely by the producing countries and proposed that the cost of financing the buffer stock should be equitably shared between the developing producing countries and the developed consuming countries. In a statement made to the Committee (22nd meeting), the Chairman of the International Tin Council (ITC) pointed out that consuming member countries had not been required, under any of the International Tin Agreements, to contribute to the buffer stock and that none of those countries had made any voluntary contributions. He said that private banks had provided a line of credit to ITC but that the utilization of the facility could be extremely expensive. He recalled that ITC had been unsuccessful in attempts to obtain credit from IBRD and IMF. He felt that if a number of buffer stocks for different commodities were envisaged they could be financed more effectively and economically through a central fund. Some developing countries also expressed interest in the idea of a central fund for buffer stocks and urged that that idea should be further explored and reconsidered at a later date. Representatives of many developed market-economy countries stated that they were unable to accept the idea of such a central fund.

30. Several representatives of developed market-economy countries accepted the principle of joint participation by producing and consuming countries in the pre-financing of buffer stocks, but indicated that the criteria for the sharing of the costs would need to be determined on a case-by-case basis. Other representatives said that they were prepared to consider any method of pre-financing, case by case. Some felt however, that the first call should be on private capital, after which recourse might be had to the appropriate international financial institutions. Representatives of developed market-economy countries took the view that on the question of participation by international financial institutions in the pre-financing of buffer stocks, judgement should be withheld until the IBRD/IMF study was completed.

31. With regard to the regular financing of a buffer-stock scheme, there was general agreement that that should be shared in a manner equitable to both exporting and importing countries, having regard for the techniques adopted in the particular commodity agreement and for the situation in the market. In that connexion, representatives of several socialist countries stated that regular financing of buffer stocks should be determined separately, case by case. Several representatives from developing countries were of the opinion that the system of levies to finance regular income in the proposed cocoa agreement tended to place the burden of regular financing on the

exporting countries. That view was not accepted by representatives of developed market-economy countries.

32. There was general agreement that a buffer-stock manager should possess such powers of market intervention as were necessary for the effective operation of the buffer stock in question, taking into account the resources available. The representatives of many developing countries stressed the need for the buffer stock to intervene with flexibility both in spot and future markets, whenever it might be required in order to bring the full stabilization effect of the buffer stock to bear. A number of developed countries expressed serious doubts in that regard.

Chapter IV

Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from export of primary commodities

(Agenda item 10 (b) (iii))

33. The Committee agreed that the longer-term objective of pricing policy was to improve the trend of export earnings from the sale of primary products, in particular those from developing countries, whereas in the short run the aim should be the elimination of excessive short-term price fluctuations. It was generally agreed that prices should be stabilized at remunerative levels to producers while taking account of the interests of consumers. It was stressed that prices should be at levels which neither encouraged the excessive growth of production nor restricted the expansion of consumption. In that connexion, it was pointed out that that objective could be furthered by the use of the various techniques of market stabilization. It was generally recognized that for certain commodities facing inelastic demand conditions it might be possible to raise prices within the framework of commodity arrangements.

34. Representatives of developing countries suggested that as a general objective of pricing policy the level of minimum prices for primary commodities should be related to changes in the prices of manufactured goods imported by developing countries. They further suggested that price ranges included in commodity agreements should be those required to achieve minimum rates of growth of export earnings of developing countries. Some representatives of developing countries stressed the important influence of prices of non-renewable resources in determining the level of reserves of such products and the efficiency with which they were exploited. Several representatives of developing countries felt that floor prices in commodity agreements should be linked with arrangements for guaranteeing minimum incomes to agricultural producers in developing countries. Representatives of developing countries stressed that developed countries should assist in attaining higher and more stable commodity prices by liberalizing trade in unprocessed, semi-processed and processed commodities.

35. Representatives of developed market-economy countries considered that it was not technically feasible to link in commodity agreements the prices of primary commodities to those of industrial products imported by developing countries or to make specific allowance in

particular international commodity agreements for possible adverse secular changes in the terms of trade of the developing countries. At the same time, they recognized the importance of increasing the developing countries' export earnings through an expansion in the volume of exports at equitable and remunerative price levels. Representatives of developed market-economy countries pointed out that in their view general principles had to be applied with due regard to the market situation of individual commodities. One of those countries suggested that among the possible techniques which might be envisaged was the system of taxes on imports related to reference prices, the proceeds of which would be refunded to the developing exporting countries. Representatives of other countries also heavily dependent on the export of primary products drew attention to the importance they attached to the application, in relation to commodities exported by their countries, of the principle of securing remunerative, equitable and stable prices.

36. Representatives of socialist countries of Eastern Europe recognized the importance of such objectives of pricing policy as elimination of excessive price fluctuations, securing the economically justified level of earnings from exports of raw materials and maintenance and increase of the purchasing power of the products exported by developing countries in relation to their imports. In that connexion they stressed the importance of long-term bilateral trade agreements and urged developing countries to examine more closely the profits made by foreign commercial enterprises in the marketing of their export commodities. Some socialist countries of Eastern Europe stressed that appropriate pricing policies would have to be based on studies of all the relevant factors affecting production and trade for each commodity. The representatives of several of those countries pointed out that the same market price should apply in trade with all countries without any discrimination.

37. A number of developing countries referred specifically to the problems of raw cotton and proposed the conclusion of international arrangements to increase the cotton export earnings of developing countries. They proposed that, where necessary, developed countries should restrict their cotton acreage and their production of man-made fibres. The representative of one developing country drew attention to draft legislation currently under consideration in one developed market-economy country the effect of which, if enacted, would be, in his view, to increase the production of extra-long-staple cotton in that country and to ban imports of such cotton from certain developing countries. The representative of the developed country concerned said that his Government was firmly opposed to legislation to ban imports of extra-long-staple cotton.

38. The representatives of developing countries, referring to the report on the third session of the Study Group on Oilseeds, Oils and Fats (TD/42/Add.1), regretted that the discussions had not produced concrete decisions on international action to stabilize at remunerative levels the earnings of developing countries from exports of oilseeds and oils and to liberalize trade in those products. Those representatives suggested that in view of the deteriorating market situation and bearing in mind the recommendations for further action as stated in paragraph 19 of that

report, the Conference should recommend the setting up of an inter-governmental consultative committee of producing and consuming countries to prepare for the start of negotiations on an international agreement before the end of 1968. The representative of one developed market-economy country, speaking on behalf of a regional grouping, expressed appreciation of the desire of developing countries to find a solution at an international level for the problems of that group of commodities, but urged that the complexity of the problems should not be underestimated. He recommended that the secretariats of UNCTAD and FAO should undertake detailed studies of the measures suggested in the report on the third session of the Study Group on Oilseeds, Oils and Fats and that afterwards the Study Group should meet and report to the Trade and Development Board before the end of 1968 on the possibility of reaching decisions on international action. The representatives of other developed market-economy countries generally supported that view. The representative of a socialist country made observations on the measures envisaged in annex III to the report submitted by the Study Group on Oilseeds, Oils and Fats, requesting that account be taken of the situation of certain countries facing the same difficulties in the export of those products. In that regard the Committee made an appeal to all interested countries to participate in the future work of the Study Group.

Chapter V

Problems arising from the development of synthetics and substitutes (Agenda item 10 (d))

39. The representatives of developing countries generally questioned the assumption that the development of synthetic substitutes for natural materials necessarily represented scientific and technological progress bringing economic benefits to developing countries. While they recognized the complementary and specialized role of some synthetic products, they considered the large-scale production of pure substitutes for natural materials to be a waste of resources from a global point of view. Referring to the heavy expenditures in developed countries on research and development in connexion with synthetic materials, representatives of developing countries considered that such expenditure could be more usefully devoted to the production of better and cheaper machinery, equipment and other goods which developing countries needed for their development; they also claimed that even if only a proportion of such expenditures had been devoted to the lowering of costs of production, the improvement of quality of natural products and the diversification of their end uses, a perfectly adequate supply of such products at reasonable prices could have been ensured. Those representatives were of the opinion, moreover, that the problems of producers of natural products experiencing competition from synthetics and substitutes were aggravated by the existence of excess capacity for the production of synthetics, unfair trading practices by synthetic producers, captive markets, dumping and trade barriers inhibiting exports of natural products in their raw and processed forms.

40. Representatives of developed market-economy countries were of the view that developments in the field of synthetics and substitutes were an integral part of technological progress; that progress was basic to the economic growth and welfare of all countries and was an important factor in promoting demand for primary commodities. That claim was, however, disputed by representatives of developing countries.

41. Representatives of socialist countries of Eastern Europe, while recognizing the fact that the development of production of synthetics and substitutes reflected technological progress, supported the view that the harmful effects of that development were due to the discriminatory practices and policies of big international monopolies of the developed market-economy countries. They expressed the view that the solution of the problems of natural commodities facing competition from synthetics and substitutes should be sought within the framework of international commodity agreements and through normalization of international commodity trade in general. Representatives of those socialist countries stressed the need to eliminate tariff and non-tariff barriers applied by developed market-economy countries on trade in crude and processed primary commodities as a step towards solving the problems of competition between natural and synthetic products. They also restated the reservations on recommendation A.II.7 of the Final Act of the first session of the Conference.⁵

42. The Committee generally recognized that, in the long run, diversification programmes had an important part to play in reducing the serious problems arising from competition between natural and synthetic products. However, some representatives of developing countries pointed out that unless the production of synthetics was restrained, the benefits of such diversification might be nullified by the encroachment of synthetics on the markets for some of the new commodities. To improve the competitive position of natural products in relation to that of synthetics, there was general agreement on the importance of the need for measures to stabilize the prices of natural products, to improve productivity and technical quality and to develop new markets and end-uses. Representatives of developing countries stated, however, that in spite of considerable efforts along those lines, it had not been possible to prevent the erosion of the outlets for their natural products and urged the adoption of additional measures. Representatives of many developing countries wished restrictions to be placed on output of those synthetic products which merely replaced natural products.

43. The representatives of developing countries also proposed the adoption, by developed countries, of the following measures: improvement in access for exports of crude and processed primary commodities facing competition from synthetics; the granting of preferential tariff treatment to such products vis-à-vis synthetics and substitutes originating in developed countries; the removal

⁵ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64 II. B. 11), pp. 32 and 33.

of existing restrictions against cotton textiles; the financing of research into new uses and development of natural products through the taxation of synthetic products; the abolition of unfair trading practices and of dumping; the orderly disposal of government stockpiles and, in the case of some commodities, the suspension of such disposal; the correct labelling of natural and synthetic products; the co-ordination of production and investment plans of producers of synthetic and natural products; and the adjustment of fiscal policies which discriminated between natural and synthetic products to the benefit of the latter (it was suggested, for example, that where sugar was taxed, the same rate of tax should be applied to artificial sweeteners such as cyclamates, in terms of their sugar equivalent). With regard to long-term measures for improving the competitive position of natural products, the representatives of developing countries urged the creation of a special international fund to finance an expanded programme of research and development for natural products.

44. Representatives of developed market-economy countries did not accept the suggestion that restrictions should be placed on the production of synthetic materials; they pointed out that the development and production of synthetics occurred largely in the private sector and were not susceptible to control. Some of those representatives stressed the complementarity of natural and synthetic products and recommended contact between producers of both types of materials for the exchange of statistics, discussion of production plans and the possibility of joint promotion of consumption. Representatives of some developed market-economy countries indicated that they were unable to support the proposal for an international research and development fund, while others said that they could not commit themselves at the present stage. Representatives of developed market-economy countries indicated that in any case research and development should be considered on a commodity-by-commodity basis in appropriate commodity councils or study groups. The representatives of developing countries pointed out, however, that their proposal did not preclude the consideration of requests for funds for research on a commodity-by-commodity basis.

45. Representatives of developing countries, supported by representatives of the socialist countries of Eastern Europe, endorsed the suggestions set out by the secretariat in paragraphs 41 to 44 of its report relating to the role and functions as well as the future work programme of the Permanent Group on Synthetics and Substitutes (TD/27 and Corr. 1). They stressed the need for the Permanent Group to play a more effective role in tackling the problem of synthetics. Some of the suggestions in paragraphs 41 to 44 of the report were also supported by certain representatives of developed market-economy countries. Representatives of several developed market-economy countries were of the opinion that the role and functions of the Permanent Group could be performed more effectively by the Committee on Commodities, where there would be wider participation and because in their view problems of natural products facing competition from synthetics were similar to those encountered by other primary commodities.

46. The problems of a number of individual commodities subject to competition from synthetics and substitutes received the attention of the Committee. Representatives of developing countries and of a number of developed market-economy and socialist countries of Eastern Europe expressed their concern over the difficulties facing producers of natural products such as rubber, cotton, wood, jute, abaca, sisal, henequen, coconut oil, hides and skins, pyrethrum, wattle extract, sugar, mica and shellac, as a result of competition from synthetics and substitutes; they recommended appropriate remedial action for some of those commodities. Moreover, the problem of natural vanilla, faced by competition from vanillin, a close synthetic substitute, was also raised, and it was urged that appropriate measures be taken to protect the position of natural flavouring essences.

47. With regard to rubber, the Committee endorsed generally the report of the UNCTAD Exploratory Meeting on Rubber held in Geneva in December 1967 (TD/39) and urged the implementation of the measures referred to in paragraph 23 of that document. The representatives of the natural-rubber producing countries requested the Permanent Group on Synthetics and Substitutes to press forward implementation of those measures and, in collaboration with the International Rubber Study Group (IRSG) and other competent organizations, to keep the situation and the effectiveness of the action taken under review. Those representatives further requested the IRSG to report to the Permanent Group and/or to the Trade and Development Board by December 1968 on the progress achieved. Representatives of developed market-economy countries stressed that the IRSG should remain the principal agency for international action on rubber problems and agreed that the Study Group should report to UNCTAD on the action taken. While the important role of the IRSG in dealing with the problems of rubber was accepted by the developing countries, they stressed the need for UNCTAD to co-ordinate and initiate international action on rubber.

48. With regard to cotton, attention was called to the activities of the International Institute for Cotton set up by cotton producers to promote cotton consumption through technical and marketing research. The Committee also heard (18th meeting) a report on the current world cotton situation from the Executive Director of ICAC, who emphasized that in the long term the expansion of the cotton export earnings of developing countries must depend on the expansion of consumption and the improvement of productivity and marketing. He also pointed out that a majority of producing and consuming member countries of ICAC had been opposed to the conclusion of a formal international agreement for cotton because they felt that such an agreement would tend to be unduly restrictive. However, the representatives of developing cotton-exporting countries indicated that they favoured the establishment of international arrangements for cotton in order to increase the cotton export earnings of developing countries.

49. In the case of jute, the Committee endorsed the decision of the Consultative Committee of the FAO Study Group on Jute, Kenaf and Allied Fibres at its

fifth session (January 1968) to explore the possibility of setting up an appropriate buffer-stock scheme to reduce the instability of raw jute prices,⁶ and improve its competitive position against synthetics.

50. The representative of an abaca-producing country drew attention to the harmful effects which the stockpile disposal programme of a developed market-economy country was causing to the market for that particular commodity, and urged a suspension of such disposal or a drastic limitation of the amount to be disposed from the stockpile. The representative of the developed country concerned said that his Government had held intensive consultations with the producer country before initiating sales of surplus abaca and such sales were therefore being made with due regard to the producer's interests. Furthermore, his Government was prepared to consult further on the matter if the producer country so wished.

Chapter VI

Role and financing of diversification programmes

(Agenda item 10 (b) (ii))

51. The Committee agreed that diversification played an important role in the process of economic development and formed an integral part of national development plans. It was also agreed that specific diversification programmes were essential in dealing with the problems of particular commodities in structural over-supply, although the representative of one developing country did not accept that view. It was generally accepted that diversification could also play a part in meeting the problems arising from competition between synthetic and natural products.

52. Most representatives made a distinction between two broad patterns of diversification. On the one hand there was horizontal diversification, relating mainly to widening the range of production possibilities within the primary production sector; and on the other hand there was vertical diversification, the development of the processing and manufacturing of locally produced food and raw materials. At the same time, there was a general recognition of the value of the four broad patterns of diversification of the economies of the developing countries identified by the Advisory Committee to the Board and to the Committee on Commodities⁷ which were considered to be subdivisions of the two main forms identified above.

53. Concerning horizontal diversification, it was stated by representatives of both the developing countries and of the socialist countries of Eastern Europe that shifting from the production of one primary commodity to that of another would be of little benefit to a developing country. Many representatives said that in the case of agricultural commodities, it was often difficult to find a viable alternative crop into which to diversify.

54. The representatives of developing countries and socialist countries of Eastern Europe were of the view that

much greater emphasis should be placed on vertical diversification since that would enable the developing countries to establish processing industries based on local food and raw materials, and to benefit not only from expanded employment opportunities in those and ancillary industrial activities, but also from increased foreign exchange earnings. The representatives of developing countries emphasized that vertical diversification was particularly essential for those countries which relied heavily on exports of non-renewable resources, and stressed that a combination of both horizontal and vertical diversification would probably yield the greatest advantage to such countries. While accepting the need for vertical diversification, most representatives of developed market-economy countries stressed the importance of achieving a proper balance between agricultural and industrial diversification, particularly where there was scope and need for increasing food production for local and regional requirements.

55. Representatives of developed market-economy countries stated that before diversification programmes were drawn up, diversification needs and possibilities should be studied by UNCTAD in co-operation with other relevant bodies, such as FAO and the United Nations Industrial Development Organization (UNIDO), on a commodity-by-commodity as well as a country-by-country basis. They felt that the role of UNCTAD in that field should be considered in the light of its over-all work programme. Moreover, it was pointed out by some representatives that one of the main problems in the field of diversification was the co-ordination and harmonization of action on the national, regional and international levels.

56. The representatives of developing countries emphasized that the implementation of diversification programmes should cover not only production in developing countries but also that in developed countries, whether of natural products produced at high cost under protection or synthetic materials which were pure substitutes for natural products. Those representatives also stressed that in the case of natural products facing serious competition from synthetics and substitutes, diversification should not involve the abandonment of production of the natural product but should re-orient the investment and production policies of the synthetic industries with the aim of developing new end-uses as well as discovering and enlarging areas of complementarity between natural and synthetic products so as to increase the over-all demand for the natural product.

57. It was emphasized by the representatives of developing countries and socialist countries of Eastern Europe that the success of any policy of horizontal or vertical diversification depended on access to markets, since the development of processing industries and the export of new products resulting from such diversification could be frustrated by the existence of tariff and non-tariff barriers in developed importing countries. It was also felt by developing countries that improved access for their processed products in the importing markets of the developed countries should be on a preferential basis. Representatives of some of those countries requested that special attention be given to the position of the least developed among the developing countries.

⁶ See FAO document CCP: JU 68/9, para. 24.

⁷ See *Official Records of the Trade and Development Board, Fifth Session, Annexes*, agenda item 5, document TD/B/109, para. 31.

58. A number of representatives from socialist countries of Eastern Europe stated that their countries were willing to accord preferential tariffs to processed primary commodities exported by developing countries.

59. The developing countries signatories to the Charter of Algiers stressed the need, expressed in that Charter, for special financial aid and appropriate technical assistance for the implementation of diversification programmes in developing countries, particularly programmes organized on a regional or sub-regional basis. They also emphasized the need to obtain stable and remunerative prices for their exports of primary commodities in order to finance the diversification programmes they deemed necessary. While recognizing the need for diversification, the representative of one developing country stressed the urgency of international measures to ensure for the wine of his country, which was not consumed locally, access to the markets of developed countries. The representatives of developing countries further expressed concern at the lack of sufficient external finance and stressed the need for increasing the volume of such aid, particularly to the least developed of the developing countries, both in its material form (i.e. agricultural machinery, fertilizers, etc.) and in the form of a fund (or funds) for the financing of diversification programmes. It was suggested by representatives of developing countries that both producing and consuming countries should contribute to such a fund, which could be an integral part of an international commodity agreement. The representative of a developing country suggested that the possibility of using the services of existing agencies, such as regional development banks, for administering funds provided through international agreements and otherwise for financing diversification programmes might be worth examining, in an effort to obviate the waste caused by the proliferation of agencies, which reduced the effectiveness of the funds provided. The representatives of developing countries hoped that more financial and technical assistance would be forthcoming on a bilateral basis and from the different international and regional institutions such as the IBRD, FAO, UNIDO, the United Nations Development Programme (UNDP) and the regional development banks.

60. A number of representatives from socialist countries of Eastern Europe stated that they had been giving, and would continue to offer, such technical assistance to the best of their ability.

61. Representatives of developed market-economy countries pointed out that they were providing substantial financial and technical assistance to aid the developing countries in their development efforts. Some of those representatives, while supporting the inclusion of diversification funds in international agreements for commodities which were in structural over-supply, such as coffee, indicated that the financing of such funds should come from the increased export earnings obtained by producers as a result of such agreements. Other representatives were prepared to study proposals for their financial participation in diversification programmes, but emphasized that those programmes would need to include a significant self-help effort by the developing countries concerned. The representatives of developed market-economy countries questioned the advisability of establishing a general

diversification fund. Some of those representatives emphasized the part that private enterprise could play in assisting the process of diversification, particularly through the establishment of processing industries.

Chapter VII

Programme for the liberalization and expansion of trade in commodities of interest to developing countries

(Agenda item 10 (c))

62. The representatives of developing countries expressed serious concern at the failure of many developed countries to implement recommendation A.II.1 of the Final Act adopted at the first session of the Conference,⁸ the Programme of Action adopted at the Ministerial Meeting of the General Agreement on Tariffs and Trade (GATT) in May 1963⁹ and part IV of the General Agreement on Tariffs and Trade.¹⁰ In their view, little or no progress had been made in giving effect to those action programmes. Those representatives also considered that the interests of developing countries had been taken only marginally into account in the Kennedy Round of trade negotiations. The representatives of the socialist countries shared that concern of the developing countries.

63. Most representatives of developed market-economy countries did not agree that little or no progress had been achieved in the field of trade liberalization. They drew the Committee's attention to substantial increases in their imports of primary commodities from developing countries in recent years, and to measures taken by their competent authorities to reduce or eliminate tariff and non-tariff barriers on commodities of interest to developing countries. They stated that, though the results of the Kennedy Round might have fallen short of the expectations of developing countries, they were nevertheless of real value and would provide growing market opportunities for the exports of developing countries.

64. There was agreement between the representatives of developing countries and those of most of the developed market-economy countries that the removal of barriers to trade was of major importance for the expansion of commodity exports, particularly those from developing countries. They also recognized that freer access to markets for unprocessed and semi-processed, as well as processed, primary products would contribute to faster economic growth in developing countries, and that all countries would benefit in the longer term from a more rational international allocation of resources. The representatives of developed market-economy countries stated that one of the ways of dealing with the problem of market access would be to consider it within the context of international commodity agreements.

⁸ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 26-30.

⁹ See GATT, *Basic Instruments and Documents, Twelfth Supplement*, pp. 36-47.

¹⁰ *Ibid.*, *Thirteenth Supplement*, pp. 2-10.

65. The Committee generally agreed that the removal of trade barriers to imports of primary products, particularly from developing countries, was one of the main issues for which attempts might be made to find appropriate solutions. The representatives of developing countries proposed that for that purpose there should be an agreement in the Conference for negotiations. They agreed that those negotiations should be without prejudice to the transitional arrangements provided for under paragraph 6 of part II.A of recommendation A.II.1 of the Final Act of the first session of the Conference. It was also stated by the representatives of some developing countries that such negotiations should be pursued without prejudice to progress achieved in other international bodies or bilateral and/or multilateral agreements. The representatives of developing countries proposed that those negotiations should take place before the end of 1968 for the achievement of the following objectives:

(a) All tariffs applied by developed countries to primary commodities, including processed and semi-processed primary commodities, originating exclusively in developing countries should be removed;

(b) Tariffs on other primary products, including processed and semi-processed primary commodities, of export interest to developing countries should be substantially reduced and, wherever possible, eliminated;

(c) Internal taxes and fiscal charges on all primary products, including processed and semi-processed primary commodities, imported from developing countries should be reduced and ultimately eliminated;

(d) Pending the elimination of such taxes and charges, these should be partially refunded, to lead progressively, on an annual basis, to full refund;

(e) Non-tariff barriers should be phased out and eventually eliminated;

(f) There should be a progressive reduction, with a view to eventual elimination, of differential tariffs on processed and semi-processed forms of primary commodities;

(g) Where products of developing countries competed with the domestic production of developed countries, the latter should allocate a defined percentage of their consumption of such products to developing countries; in any case, a substantial share of any increase in domestic demand for primary commodities in the developed countries should be reserved for the output of the developing countries;

(h) Developed countries should agree to establish maximum ratios of domestic production to consumption so as to guarantee to developing countries adequate conditions of access for their exports;

(i) Socialist countries of Eastern Europe should announce specific targets for imports from developing countries as their contribution to these negotiations.

66. The representatives of developing countries suggested that in the implementation of the above action programme the special needs of the least developed among developing countries should be taken into account.

67. In commenting on the results of the Kennedy Round of trade negotiations, the representatives of developing countries urged developed countries to implement

immediately, without reciprocity and in favour of all developing countries, the concessions granted on commodities of export interest to developing countries and to forgo the phased period of application. The representatives of some developed market-economy countries indicated that they had already done so.

68. The representatives of developing countries called for the immediate implementation of the standstill commitment and urged developed countries to remove all new tariff and non-tariff barriers introduced since the first session of the Conference by the end of 1968, or by an agreed date.

69. Many representatives of developed market-economy countries stated that their competent authorities could not accept additional commitments not to introduce any new barriers or to reduce and eliminate existing barriers, whereas others stated that they could not do so without qualifications. Certain other developed market-economy countries suggested action by developed countries towards further liberalization of trade barriers on products of export interest to developing countries.

70. The representatives of developing countries and most developed market-economy countries recognized the close interdependence of diversification and improved market access, particularly for commodities in their processed and semi-processed forms. In that connexion, representatives of developing countries drew attention to the restrictive effects on vertical diversification of quota restrictions and of tariffs which increased with the degree of processing of primary commodities. They urged, therefore, that appropriate provisions should be made in international trade negotiations and commodity arrangements for the easing of the restrictive measures already taken, for standstill commitments on tariff escalation and for the progressive reduction and elimination of tariff differentials affecting trade in processed commodities. Representatives of many developed market-economy countries referred in that connexion to the rapid increase of their imports of processed and semi-processed commodities from developing countries during recent years.

71. With regard to differential tariffs, representatives of several developed market-economy countries stated that the system of dual prices in certain developing countries constituted an obstacle to the reduction of tariff differentials. The representatives of developing countries considered that the few cases where such pricing systems prevailed were covered by article XVIII of the General Agreement on Tariffs and Trade¹¹ and were consistent with the general objective of UNCTAD according to which developing countries should take adequate steps — and in that effort should be assisted by developed countries — to diversify their economies and their exports into semi-processed and processed products.

72. Representatives of developing countries and of a number of developed market-economy countries expressed the view that the reduction of the degree of agricultural

¹¹ See GATT, *Basic Instruments and Selected Documents*, vol. III, pp. 33-41.

protection in developed countries should be one of the objectives of international commodity policy. Representatives of developing countries favoured the acceptance of market-sharing commitments for protected commodities in the markets of developed countries. They were supported by the representatives of certain developed market-economy countries who stated that they understood market sharing as making available a certain share in total consumption and in its prospective growth to competitive external suppliers. Those representatives stressed that in view of the diversity of protective systems the choice of measures necessary to implement such a market-sharing programme would vary from country to country. Representatives of several developed market-economy countries said that if the idea of market sharing was to be further explored it should be done within the framework of specific commodity arrangements and or in respect of products subject to quantitative restrictions. They stressed the danger inherent in market sharing as a general principle since it could lead to a rigid system of multilateral quotas and a freezing of the pattern of production. With respect to domestic agricultural policy, the representative of one developed market-economy country stated that Governments should review and, to the extent possible, modify their methods of support so as to limit their trade restrictive effects. Certain representatives of developing countries were of the opinion that, since market-sharing commitments, in certain cases, were designed as alternatives to liberalization measures, their practical results should be equivalent to those which would have been achieved by means of a widespread programme of trade liberalization.

73. Several representatives of developing and developed countries requested the socialist countries to assure greater access to their rapidly growing markets by making provisions for increased imports in their national economic plans. Representatives of several developed market-economy countries considered that the high internal prices of primary products imported by the socialist countries of Eastern Europe from developing countries constituted a serious obstacle to an increase in consumption of those commodities and suggested that those prices should be more closely aligned with import prices.

74. The representatives of the socialist countries of Eastern Europe stressed that in their countries there were no barriers to imports of primary commodities. They also stated that their countries envisaged the continuation of their policy of increasing purchases of primary products from developing countries in line with the expansion of their industrial production and internal consumption and that for that purpose would take suitable measures. To give effect to that policy they deemed it necessary for both developed and developing countries to undertake appropriate measures to normalize and promote trade flows. In that connexion, they reaffirmed that they expected the developing countries to accord to socialist countries conditions for trade not inferior to those granted normally to developed market-economy countries. They stressed, moreover, that the volume of their imports was determined not by the level of internal prices but by other factors, including, *inter alia*, the balance-of-payments position of the socialist countries vis-à-vis both developed and developing countries.

75. Representatives of developing countries expressed their determination to expand trade amongst themselves and to adopt appropriate measures to that end. Representatives of developed market-economy countries welcomed that approach which, in their view, might offer considerable trade opportunities for primary commodities of export interest to developing countries.

76. With respect to revenue duties and fiscal charges levied on imports of primary commodities from developing countries, the representatives of most developed market-economy countries stated that the refund of revenue proceeds to the exporting countries was not acceptable. In their view such a system would introduce a new and arbitrary element into the distribution of aid resources, and might perpetuate taxation policies detrimental to the growth of consumption of tropical products. In the opinion of one of those representatives, it might be possible to consider channelling the tax proceeds to diversification funds operating for the benefit of the countries exporting the product in question. Representatives of some other developed market economy countries referred to the solution of that problem — which they considered to be a realistic one — in the recently re-negotiated International Coffee Agreement.

77. In order to ensure the implementation of an action programme of trade liberalization, the representatives of developing countries stressed the need for the adaptation of the UNCTAD machinery to facilitate increasing use of the procedures of consultation and negotiation. In that connexion, one of the suggestions was that a "panel for reconciliation" should be set up to consider complaints regarding obstacles to access, and to arrange for meetings between the Governments concerned. The representatives of developed market-economy countries said they saw no need for setting up new consultative machinery on market access problems. In their opinion, GATT, UNCTAD and particularly its Committee on Commodities, and the various commodity councils and commodity groups provided adequate forums for consultations and negotiations. However, the representative of one developed market-economy country suggested the possibility of setting up, if necessary, *ad hoc* working parties, composed of the countries directly concerned, to consider liberalization possibilities in particular commodities, where there were not existing bodies already operative, or where UNCTAD could make a special contribution.

78. With regard to existing preferential arrangements between certain developed and developing countries, representatives of the developing countries agreed on the need to apply the relevant provisions of the Charter of Algiers. Representatives of developing countries and of some developed market-economy countries supported the proposal that the Secretary-General of UNCTAD should undertake studies, commodity by commodity and country by country, on the effects of the abolition of special preferences and on the international measures required to ensure developing countries at present enjoying such preferences advantages at least equivalent to the losses resulting from their abolition. Representatives of other developed market-economy countries suggested that the feasibility of such studies should be further explored in the

UNCTAD Committee on Commodities. With respect to equivalent advantages, representatives of some developed market economy countries further stated that equivalent advantages should be provided through improved access to other markets and/or by appropriate provisions within commodity agreements. Representatives of certain developing countries at present enjoying preferential arrangements and producing under special conditions stated that, in their Governments' view, neither the opening of other markets nor international commodity arrangements could provide by themselves equivalent advantages, as was recognized in paragraphs 72 and 73 of the secretariat report on special preferences (TD/16). The representative of one developed market-economy country stated that, with regard to the other method of providing equivalent advantages set out in the same report, his Government could not accept the view that it was the responsibility of a country now granting preferences to provide for equivalent advantages in the future. The representative of a developing country also invited the Conference to consider the creation of a special body within UNCTAD to deal with the problems of special preferences. It was stressed by the representative of one developing country at present enjoying special preferences should not be prejudicial to the economic and social structure of the countries concerned and that his Government would therefore continue to maintain the observations made with regard to the recommendations on transitional arrangements in paragraph 6 of part II.A of recommendation A.II.1 in the Final Act of the first session of the Conference.

Chapter VIII

Action taken by the Committee on the draft resolutions, recommendations and proposals before it

79. At its 21st meeting, the Committee established a Contact Group, consisting of representatives of Australia, Belgium, Brazil, Byelorussian Soviet Socialist Republic, Canada, Ceylon, Denmark, Ethiopia, Federal Republic of Germany, France, Hungary, Indonesia, Italy, Ivory Coast, Japan, Pakistan, Romania, Union of Soviet Socialist Republics, United Arab Republic, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay and Venezuela, to consider and report to the Committee on all draft resolutions and proposals submitted to the Committee or to the Contact Group. The texts of those drafts are reproduced in appendix I.

80. The Contact Group met eleven times. It had before it the documents, submitted to the first Committee, reproduced in appendix I, and amendments to those documents, reproduced in appendix III.

81. The draft resolution in appendix II was approved by the First Committee.

82. The Contact Group was unable to reach agreement on the texts of the other documents. The Committee therefore authorized the Chairman to submit them, along with the suggested amendments, to the plenary session of the Conference for decision.

APPENDICES

Appendix I

DRAFT RESOLUTIONS, DECISIONS AND DECLARATIONS SUBMITTED TO THE FIRST COMMITTEE

Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from export of primary commodities
(Agenda item 10(b)(iii))

GUARANTEED MINIMUM AGRICULTURAL WAGE

Draft resolution submitted by Burundi, Central African Republic, Chad, Congo (Brazzaville), Congo (Democratic Republic of), Gabon, Guinea, Holy See, Ivory Coast, Madagascar, Mali, Mauritania, Rwanda, Senegal, Togo and Upper Volta
(TD/II/C.1/L.2)

The United Nations Conference on Trade and Development,

Recalling Article 55 of the Charter of the United Nations, which provides, inter alia, that the United Nations shall promote "higher standards of living, full employment, and conditions of economic and social progress and development",

Considering that the fixing of a guaranteed minimum agricultural wage would make it possible to ensure for primary commodity producers in the developing countries a fair and stable purchasing power,

1. Notes with interest the proposal in the report of the First Committee of the Ministerial Meeting of the Group of 77 contained in annex I to the Charter of Algiers (TD/38/Add.1);

2. Requests the Secretary-General of UNCTAD to undertake, in collaboration with the appropriate specialized agencies, a general study to provide the main elements of a rational basis for fixing a guaranteed minimum agricultural wage, a basic factor for an international minimum price in respect of each of the principal commodities originating in the developing countries, and to submit a report on the study to a forthcoming session of the Trade and Development Board.

Main elements of commodity policy including international commodity agreements and other techniques of commodity market stabilization
(Agenda item 10(b))

STABILIZATION OF COMMODITY PRICES

Draft resolution submitted by France (TD/II/C.1/L.4/Rev.2)

The United Nations Conference on Trade and Development,

Reaffirming the importance and urgency of so adjusting commodity trade as to make available to the developing countries the external resources of which they stand in grave need,

Noting the resolution on commodity price stabilization adopted by the Boards of Governors of the International Bank for Recon-

struction and Development (IBRD) and of the International Monetary Fund (IMF) at the Rio de Janeiro session in September 1967, ^a

1. *Calls the attention* of IBRD and IMF to the importance it attaches to the study requested of them in the above-mentioned resolution;

2. *Expresses the hope* that these agencies will be able to participate actively in the elaboration of suitable mechanisms including balanced commitments on the part of the producing and of the consuming countries, and devote the necessary resources thereto;

3. *Emphasizes* the importance of assistance from them, especially in helping to solve certain financing problems, such as buffer stocks, and providing long-term backing for the diversification efforts deemed necessary;

4. *Requests* IBRD and IMF to transmit the study to UNCTAD in view of its responsibility, as laid down in General Assembly resolution 1995 (XIX) of 30 December 1964, for the framing and implementation of an international policy on commodities.

PROBLEMS OF INTERNATIONAL TRADE IN OILSEEDS, VEGETABLE OILS AND FATS

Draft resolution submitted by Senegal (TD/II/C.1/L.5)

The United Nations Conference on Trade and Development,

Considering the importance of production and trade in oilseeds, vegetable oils and fats in the economy of a number of developing countries, and of the part played by that trade in their export earnings,

Considering the unfavourable trends in the international market in oilseeds and fats and the continuing decline in the prices of oleaginous products from the developing countries,

Recalling the decision taken by the UNCTAD Committee on Commodities at its second session which established a joint UNCTAD/FAO study group to consider the problems involved in trade in oilseeds, vegetable oils and fats,

Considering the recommendations in the report of the Study Group on Oilseeds, Oils and Fats on its third session ^b and, in particular, the international measures recommended in annex III to that document,

1. *Reaffirms* the urgent need to work out an arrangement in respect of oleaginous products whereby it would be possible:

- (a) To achieve stable, equitable and remunerative prices;
- (b) To ensure expansion of the markets for those products;

2. *Takes note* of the report of the Study Group on Oilseeds, Oils and Fats on its third session and of the progress made in defining possible solutions;

3. *Invites* the joint UNCTAD/FAO secretariat to pursue actively the study of possible solutions to the problems of marketing oilseeds, vegetable oils and fats and to complete that study before the end of 1968;

4. *Recommends* that the Secretary-General of UNCTAD set up an inter-governmental consultative committee on oilseeds, vegetable oils and fats with the task of urgently making the appropriate arrangements with a view to convening a conference to negotiate an international agreement on oilseeds, vegetable oils and fats, on the basis of the solution recommended by the Study Group at its

third session. This conference should be held as soon as possible and, in any case, not later than the end of December 1968.

CO-ORDINATION BY UNCTAD OF THE ACTIVITIES OF INTER-GOVERNMENTAL COMMODITY BODIES

Draft resolution submitted by Bulgaria, Byelorussian Soviet Socialist Republic, Hungary, Poland, Romania, Union of Soviet Socialist Republics (TD/II/C.1/L.7/Rev.1) ^{*}

The United Nations Conference on Trade and Development,

Recalling UNCTAD's responsibilities in connexion with international commodity policy as defined in General Assembly resolution 1995 (XIX), and stressing the importance of a co-ordinated approach to the preparatory work for the conclusion of inter-governmental commodity stabilization arrangements,

Recalling also Trade and Development Board resolution 36 (V),

Noting with satisfaction the positive role played by inter-governmental commodity organizations,

1. *Reaffirms* the recommendation in resolution 36 (V) of the Trade and Development Board to the effect that the Secretary-General of UNCTAD request all international organizations dealing with the problems of commodity trade to continue both to co-operative fully and to submit to the Committee on Commodities reports on their activities in this field and their work programmes for the forthcoming period;

2. *Recommends* that the Trade and Development Board and the Secretary-General of UNCTAD follow the activities of existing commodity groups and facilitate their co-ordination in order to promote international co-operation in commodity matters generally and, where appropriate, the conclusion of international commodity stabilization arrangements;

3. *Requests* the Secretary-General of UNCTAD to report to the Committee on Commodities on the activities of inter-governmental commodity bodies;

4. *Invites* all interested Governments members of UNCTAD to consider the possibility of joining the existing organizations, including study groups, in order to strengthen their activities in the commodity field.

STUDY ON ORGANIZATION AND STRUCTURE OF TRADE NETWORK IN THE FIELD OF COMMODITIES

Draft resolution submitted by Bulgaria, Czechoslovakia, Hungary, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics (TD/II/C.1/L.8/Rev.1)

The United Nations Conference on Trade and Development,

Reaffirming the necessity and urgency of increasing the export earnings of the developing countries,

Recalling the general desire expressed at the second session of the Conference that the developing countries benefit directly from a stabilization of commodity markets,

In the desire to assist the developing countries in improving the organization and the structure of their trade network in commodities,

1. *Requests* the Secretary-General of UNCTAD to make a detailed study on the organization and structure of primary commodity markets with a view to strengthening marketing organizations of developing countries. This should be undertaken until the end of 1968 in the framework of the studies of individual commodities listed in the recommendation of the second session of the Conference;

2. *Considers it necessary* to invite the Governments concerned to undertake measures which would facilitate direct commercial transactions between primary producing and consuming countries.

^a Resolution 22-29 — Stabilization of prices of primary products, adopted on 29 September 1967, by the Board of Governors of the International Monetary Fund, in joint session with the Boards of Governors of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association (see IMF, *Summary Proceedings, Annual Meeting, 1967*, p. 280).

^b FAO document CCP 68/3.

^{*} Incorporating document TD/II/C.1/L.7/Rev.1/Corr.1.

Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from export of primary products
(Agenda item 10 (b) (iii))

THE ROLE OF LONG-TERM BILATERAL AGREEMENTS IN THE STABILIZATION OF PRIMARY COMMODITY MARKETS

Draft resolution submitted by Bulgaria, Hungary, Romania, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics (TD/II/C.1/L.9)

The United Nations Conference on Trade and Development,

Recalling that the first session of the Conference adopted a recommendation (A.VI.3)^e to the effect that the method of long-term bilateral agreements was one of the effective means that could contribute to the solution of commercial problems between different countries, including those between countries at different levels of development or with different economic and social systems,

Considering the view expressed by the Advisory Committee to the Board and to the Committee on Commodities on its first session, mentioned in its report (TD/B/109, ^a para. 20), that in the framework of international stabilization commodity agreements long-term bilateral agreements might be concluded between the main exporters and importers with a view to enabling the developing countries to plan their production for some years ahead with a minimum of uncertainty about the future level of the export earnings,

Taking into account the trade-creating effects of the long-term bilateral agreement as it is stated in document TD/8,

1. Notes with interest the proposal contained in the annex of this resolution on the functioning of long-term bilateral agreements as a means of stabilizing the primary commodity market;

2. Recommends to all interested Governments, principally to those of the developing countries striving to achieve the highest possible earnings of their exports and to introduce an element of long-term planning into their commercial and economic policy, to use this technique of market stabilization.

Annex

1. A few characteristics of the long-term bilateral agreements are:

- (a) They may be concluded for three to five years or more;
- (b) They may include mutually agreed targets for the whole duration of the agreement or an annual target may be agreed;
- (c) The agreements may be restricted to the declarations of the parties stating that they will issue export and import licences when required for the values or quantities provided in the agreement, or may contain such stipulations that the parties involved will encourage the respective trade organization to conclude long-term contracts.

2. Long-term bilateral agreements may be clearing agreements or combined with multilateral or partially multilateral methods of payment or payment in convertible currency at the convenience of the parties involved with a view to giving more flexibility for this kind of arrangement.

3. In the absence of long-term contracts referred to in point 1 (c), long-term bilateral agreements may have a stabilizing effect as to the volume and the main trends of foreign trade between the countries involved.

4. In the long-term contracts concluded between trading organizations in the framework of long-term bilateral agreements, stipulations may be provided:

(a) As regards the exports of the developing countries, provisions might be foreseen for the delivery of primary commodities;

(b) As regards the imports of the developing countries, provisions might be foreseen for the delivery of complete plants, machinery or other goods which may also be paid for by the delivery of primary commodities and processed products.

5. In the long-term contract between trading partners, a satisfactory solution for the prices of the primary commodities should be sought between the parties involved.

6. Wherever an international commodity agreement exists, the long-term bilateral agreement as regards the respective commodity should take account of its provisions.

Main elements of commodity policy including international commodity arrangements and other techniques of commodity stabilization
(Agenda item, 10 (b))

COMMODITY PROBLEMS AND POLICIES

*Draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia (TD/II/C.1/L.10 *)*

The United Nations Conference on Trade and Development,

Taking particular note of the following trends:

(a) The primary products exported by developing countries have continued to be subject to sharp fluctuations in prices, and in the case of a number of commodities the secular trend of decline in the prices has continued,

(b) The purchasing power of exports from developing countries has been steadily declining. In the mid-1960s the developing countries have been able to buy, for a given volume of their traditional exports, one-tenth less imports than at the beginning of this period,

(c) No new commodity agreement on primary products of interest to developing countries has been concluded since the first session of the Conference,

(d) The standstill provision in recommendation A.II.1^e of the Final Act of the first session of the Conference has not been observed and despite the Kennedy Round of negotiations no real progress has been made towards reducing trade barriers and improving access in the markets of developed countries for products exported by developing countries,

(e) The developed countries have increased the degree of domestic protection for a number of products of export interest to developing countries,

(f) The expansion and promotion of synthetic substitutes in developed countries has resulted in the shrinking of the share of markets and falling prices for competing natural products produced by developing countries,

^e See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 63.

^a See *Official Records of the Trade and Development Board, Fifth Session, Annexes*, agenda item 5.

* Incorporating documents TD/II/C.1/L.10/Corr. 1-3 and Add.1 and 3.

^e See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 26-30.

(g) In socialist countries consumption and imports of primary products from developing countries have not increased to desirable levels,

1. *Adopts* the following as the main objectives of commodity policy;

(a) First and foremost, to make the maximum contribution to the economic growth of developing countries by enabling them not only to maintain but also to stimulate a steady and dynamic growth and ensure a reasonable predictability in their real export earnings;

(b) To increase, particularly in developed countries, the consumption and imports of primary commodities, including those in semi-processed and processed forms, from developing countries;

(c) For commodities produced by both developed and developing countries, the developed countries should reduce their uneconomic production so as to provide increasing access to the developing countries;

(d) International commodity policy should have a dynamic character, leading to long-term adjustments in the world markets and the establishment of trade and production patterns in harmony with the needs and interests of the developing countries;

(e) To ensure, without creating discrimination, that special attention be accorded to the least developed amongst the developing countries to enable them to obtain due benefit so that all developing countries will gain equitable results from international co-operation of States members of UNCTAD, particularly that with the developed countries;

2. *Recommends* the following techniques:

(a) That measures should be adopted, as far as possible, concurrently on a commodity-by-commodity basis on all those commodities requiring urgent action;

(b) That, wherever possible, international commodity arrangements should be concluded which would implement principles laid down in part I A of recommendation A.II.1 of the Final Act adopted at the first session of the Conference, and the guidelines which follow;

(c) That, where it is not found practicable to conclude commodity arrangements, co-operative international action should be taken to implement appropriate measures for the particular commodity;

(d) That producing developing countries should, wherever necessary, consult and co-operate among themselves in order to defend and improve their real export earnings by effective co-ordination of their policies in the commodity field.

A. Buffer stocks

Buffer-stock techniques as a short-term measure for market stabilization should, where appropriate, be one of the methods adopted for international commodity arrangements.

1. Operation

(a) Buffer stock should be given the largest flexibility of operation in order to be able to intervene in the markets wherever and whenever it is necessary for the defence of the minimum and maximum prices at any time these prices are threatened by current trends.

(b) This intervention of the buffer stock should take place in every sector of the market, be it spot or future market, in order to bring its full stabilizing impact to bear.

2. Financing

(a) With regard to the pre-financing of buffer stocks, international financing organizations must be made capable of ensuring that sufficient resources will be available whenever the situation may so require.

(b) In addition to having international financing organizations as the main source for the pre-financing of buffer stocks, the possibility of having voluntary contributions from developed countries should not be excluded.

(c) A buffer stock should be equipped with adequate funds, through a regular income, so as to be in a position to play its full role towards market stabilization.

(d) This regular income should be provided in a form that is equitable for all parties concerned:

(i) Through budgetary contributions from all countries involved in the arrangements;

(ii) Through any other mechanism that does not impose an excessive burden on developing countries.

(e) The cost of financing the existing buffer stock should be borne equitably by the producing developing and the consuming developed countries.

B. Diversification

The Conference,

Recognizing that diversification constitutes an essential element in the process of economic development of developing countries, and with a view to accelerating this progress,

Recommends that:

1. Diversification should be both horizontal into other products and vertical into the semi-processed and processed forms for export;

2. Taking into account the basic needs of each country for its balanced economic development such diversification programmes should aim at:

(a) The expansion of production of semi-manufactures and manufactures in developing countries;

(b) The increase in export of semi-processed and processed commodities by these countries;

(c) The broadening of the pattern of exports in favour of commodities with relatively dynamic demand conditions on the world market;

(d) The increase of food production in food deficient countries;

3. Diversification programmes should be one of the means of correcting the deficiencies of the existing economic structures, according to the following guidelines:

(a) For commodities produced wholly or mainly in developing countries and not facing competition from synthetics and substitutes, diversification programmes should be an integral part of any accepted scheme for production control that is adopted in the context of international commodity arrangements for commodities in structural over-production;

(b) For commodities facing competition from synthetics and substitutes, diversification programmes should be used:

(i) In developing countries, to enhance the vertical diversification for such products;

(ii) In developed countries, to adjust the production pattern of synthetics and substitutes so as to reduce competition with the natural products;

(c) For commodities produced in substantial amounts both in developed and developing countries, it is necessary that developed countries adjust the scope and extent of their economic activities in order to increase the export earnings of these products efficiently produced by developing countries;

(d) Developed countries should refrain from increasing the capacity of processing industries established primarily to process raw materials imported from developing countries, and eventually enable the processing to be carried out completely in the developing countries;

4. Developed countries and the appropriate international financial institutions including regional development banks should make available financial and technical assistance to supplement resources provided by developing countries themselves in order to facilitate the carrying out of diversification programmes. Specific funds for diversification should be one of the features of commodity arrangements, wherever appropriate;

5. Highest priority should be given to diversification in the programmes at inter-regional, regional and sub-regional levels in the process of trade expansion and economic integration among developing countries;

6. For the successful implementation of diversification programmes, effective measures should be adopted for:

(a) Increased access to the markets of developed countries for products of interest to developing countries, in particular in their semi-processed and processed forms;

(b) The stabilization of prices at remunerative and equitable levels;

7. In order to assist in the formulation of diversification programmes, the Secretary-General of UCTAD, in co-operation with the appropriate specialized agencies and other international bodies including regional development banks, should undertake detailed studies on the diversification problems of commodities facing excess supply in the world market or competition from synthetics and substitutes.

C. Price policy

The Conference,

1. *Agrees* on establishing a set of general principles on price policy which will serve as guidelines in the inter-governmental consultations and actions to be taken with regard to individual commodities to apply stabilization techniques and other arrangements in the international markets of such commodities.

I. Objectives

The main objective of pricing policy for commodities produced by developing countries should be to secure remunerative equitable and stable price levels in order to contribute to the achievement of the over-all targets of economic development of developing countries as set by the General Assembly of the United Nations and by UNCTAD. For these purposes the following requirements should be met:

(a) The prices of commodities should not be allowed to deteriorate further and should, where possible, be improved.

(b) Excessive fluctuations in price should be eliminated.

(c) The prices of commodities should lead to a satisfactory margin of remuneration for the producer so as to enable him to increase his productivity and to maintain fair labour standards while achieving higher standards of consumption and savings.

(d) The prices of commodities should provide to the governments of the producing countries the financial resources that will enable them to implement an economic policy, including a commodity policy that contributes to the promotion of over-all development.

(e) The prices of commodities should contribute to the attainment of export earnings that maintain and increase the purchasing power of the products exported by developing countries in relation to their essential imports from developed countries.

II. Operational guidelines

(a) In those commodities where minimum prices are agreed upon, in the context of a commodity arrangement, developed importing countries should share the burden of supporting such minimum prices by appropriate means.

(b) In the case of non-renewable primary commodities, the price level should be such as to encourage the further exploration and development of new supplies and ensure an increase in the real income of the producing developing countries of these commodities.

(c) Prices established in international arrangements or consultations should be fixed for a sufficiently long period so as to ensure a reasonable predictability in the export earnings of developing countries, and to constitute an element of an action-oriented programme designed, when so agreed upon, to correct structural as well as cyclical disequilibria.

(d) The price should permit the progressive diversification, when applicable, of the pattern of production in developing countries.

2. *Adopts* the Programme of Action in the following paragraphs for implementation within the time schedule indicated therein:

I. International action on commodities

A. Cocoa

The United Nations Conference on Cocoa should be reconvened immediately after the present session of the United Nations Conference on Trade and Development and if necessary preceded by consultations so as to ensure its success. In any case, the Conference should be convened not later than the end of May.

B. Sugar

An international agreement on sugar should be concluded at the earliest possible date and should in any case enter into operation not later than 1 January 1969.

C. Oilseeds, oils and fats

The Conference,

1. *Invites* the secretariats of UNCTAD and the Food and Agriculture Organization of the United Nations to pursue urgently the study of possible solutions to the problems involved in the trade of oilseeds, oils and fats;

2. *Recommends* that the Secretary-General of UNCTAD set up an inter-governmental consultative committee on oilseeds, oils and fats entrusted with the task of making appropriate preparations urgently, keeping in mind the solutions recommended by the FAO/UNCTAD Study Group at its third session¹ and the results of the study referred to in paragraph 1 above, for the convening of a United Nations conference at the earliest possible time but not later than the end of 1968.

D. Natural rubber

The Conference,

1. *Unanimously adopts* the report and endorses the conclusions and recommendations of the UNCTAD Exploratory Meeting on Rubber contained in document TD/39;

2. *Urges* the speedy implementation of these conclusions and recommendations;

3. *Charges* the Permanent Group on Synthetics and Substitutes with the task of:

(a) Keeping under constant review the progress of implementation of these conclusions;

(b) Formulating such other measures as may be found necessary from time to time;

(c) Ensuring that the remedial measures instituted are effective;

(d) In general keeping a continuous watch on the natural rubber and synthetic rubber situation in co-operation with the International Rubber Study Group and other associated agencies for rubber;

4. The Trade and Development Board, at its next regular session, shall review the progress of implementation of these measures.

E. Hard fibres

The Conference

1. *Notes with satisfaction* the conclusion of the informal understandings on sisal and henequen and on abaca reached between the major producing and consuming countries on an indicative price range and export quotas at the last session of the Consultative Sub-Committee of the FAO Study Group on Hard Fibres;²

¹ For the report of the third session of the Study Group on Oilseeds, Oils and Fats, see FAO document CCP. 68/3.

² For the report of the Consultative Sub-Committee, see FAO document CCP: HF 68/9.

2. Urges that all countries take effective measures for the protection of the indicative price range referred to above, particularly when releasing stockpile surpluses of any of these hard fibres;

3. Requests the Secretary-General of UNCTAD, in consultation with FAO and the Governments concerned, to follow closely the development and operation of the arrangement and, if found satisfactory, to take the necessary steps to negotiate a formal international agreement on hard fibres on the basis of the informal arrangement, as early as possible.

F. Jute

The Conference

Considers that more effective international action is necessary for the stabilization of the prices of jute in the world market and recommends that the FAO Study Group on Jute, Kenaf and Allied Fibres should urgently explore the possibility of setting up an appropriate buffer-stock scheme for this commodity.

G. Other commodities

The Conference recommends that:

1. Inter-governmental consultations should begin immediately after its second session between Governments mainly interested in the production and consumption of or trade in the following commodities:

Tea	Wine
Iron-ore	Citrus fruit
Pepper	Manganese ore
Bananas	Mica
Nickel	Shellac
Tobacco	Tungsten
Cotton	

2. These consultations should:

- (a) Identify the problems faced by the commodities;
- (b) Determine the techniques most appropriate to deal with them; and
- (c) Agree on the appropriate remedial measures;

3. To ensure a co-ordinated approach in achieving the aims mentioned above, the Secretary-General of UNCTAD should have the initiative, after contacting interested Governments or at their request; to arrange for such consultations in close co-operation with the concerned specialized agencies, study groups and other inter-governmental organizations;

4. As far as practicable, these consultations should be held concurrently for all the commodities needing urgent action and not on a commodity-after-commodity basis;

5. These consultations should aim at achieving practical results by the end of 1969;

6. The Secretary-General of UNCTAD is requested to submit progress reports on these consultations to each session of the Committee on Commodities and the Trade and Development Board.

At the request of interested Governments, the Secretary-General of UNCTAD should initiate action on the lines of section G above for such commodities as may be included in the list from time to time, with an appropriate time schedule for each commodity.

Producing developing countries should, if necessary, consult and co-operate among themselves in order to co-ordinate effectively their policies in the commodity field. The Secretary-General of UNCTAD is requested, if so required by the Governments concerned, to assist in the holding of such consultations.

Pending the completion of the study by the IMF and the IBRD on the stabilization of primary commodity prices, feasible buffer-stock schemes for particular commodities should have adequate pre-financing support from the developed countries and from international financial institutions.

For such products of the temperate zone produced by developing countries and not specifically mentioned in the preceding sections, the Secretary-General of UNCTAD should initiate a permanent exchange of information with GATT, FAO and other international agencies, as was established by General Assembly resolution 1995 (XIX) with the objective of a comprehensive and continuing evaluation of the problems and of measures to be adopted for their solution, and report to each session of the Trade and Development Board.

II. Trade liberalization^b

A. Standstill

No new tariff and non-tariff restrictions should be introduced by developed countries and those introduced since the first session of the Conference should be eliminated by 31 December 1968.

B. Immediate implementation of Kennedy Round offers

The tariff reductions offered during the Kennedy Round of negotiations on primary products of export interest to developing countries should be implemented without phasing and without reciprocity in favour of all developing countries.

C. Specific measures to guarantee access

1. Where products of developing countries compete with the domestic production of developed countries, the latter should allocate a defined percentage of their consumption of such products to developing countries; in any case, a substantial share of any increase in domestic demand for primary commodities in the developed countries should be reserved for the output of the developing countries. This allocation should be arrived at on a country-by-country and commodity-by-commodity basis, through multilateral negotiations.

2. Developed countries should agree to establish maximum ratios of domestic production so as to guarantee to developing countries adequate conditions of access for their exports.

3. Centrally planned economy countries should announce a specific target for imports from developing countries as their contribution to these negotiations.

D. Removal of barriers and other measures for improvement of access

Without prejudice to the provisions of paragraphs 3, 4 and 6 of Part II A of recommendation A.II.1 of the Final Act of the first session of the Conference, negotiations on a non-reciprocal basis shall commence before the end of 1968 for the removal of trade barriers to the imports of primary commodities from developing countries, on the basis of the following ground rules:

1. All tariffs applied by developed countries to primary commodities, including processed and semi-processed primary commodities originating exclusively in developing countries, should be removed.

2. In the case of other primary products, including processed and semi-processed primary commodities, of export interest to developing countries, substantial reduction in, and wherever possible, elimination of all tariffs shall be offered.

^b In document TD/II/L.16, the Philippines expressed its support of part II without prejudice to any agreements and/or decisions concerning preferences resulting from the second session of the Conference.

Document TD/II/L.17 stated that the support of the delegation of Jamaica with regard to the trade liberalization proposal of the Co-ordinating Committee of the Group of 77 was being given without prejudice to the observations of Jamaica on recommendation A.II.1, paragraph 6 (transitional arrangements), of the Final Act adopted at the first session of the Conference.

3. Offers shall be made by developed countries for reduction and ultimate elimination of internal taxes and fiscal charges on all primary products, including semi-processed and processed primary products, imported from developing countries.

4. Pending the elimination of such taxes and charges, offers shall be made for their partial refund, to lead progressively, on an annual basis, to full refund.

5. The negotiations should also cover the phasing out and eventual elimination of the existing quantitative restrictions and other non-tariff barriers.

6. Differential treatment between primary products in their natural and in their semi-processed and processed forms should be eliminated.

7. Offers should also be made for the implementation of section C above.

The Secretary-General of UNCTAD is requested, in consultation with the specialized agencies and inter-governmental organizations concerned, to make arrangements for the earliest possible commencement of the negotiations.

E. Machinery

The Committee on Commodities is specifically requested to initiate intensive inter-governmental consultations for the implementation of the above action programme. For this purpose, the Secretary-General of UNCTAD should present detailed proposals to the third session of the Committee on Commodities.

F. Preferences

The Conference,

Considering the need to implement paragraphs 3, 4 and 6, on transitional arrangements of part II A of recommendation A.II.1 concerning the elimination of preferences, adopted unanimously at the first session, and noting that the abolition of preferences requires that the developed countries grant equivalent advantages to the countries which at present enjoy such preferences,

Noting that the developed countries have not so far taken effective measures for the implementation of this recommendation,

Considering that, in the case of certain commodities, the special preferences in force could be reduced or even abolished through international agreements,

Decides:

1. To request the Secretary-General of UNCTAD to carry out, in co-operation with the Government and agencies concerned, a study on the effects of special preferences on the economies of developing countries at present enjoying them;

2. To request the Secretary-General of UNCTAD to carry out studies on a commodity-by-commodity and country-by-country basis concerning the international measures required to ensure developing countries at present enjoying such preferences advantages at least equivalent to any losses resulting from their abolition;

3. To set up a study group as soon as possible to consider the results of the above-mentioned studies and report on them to the fourth session of the Committee on Commodities, for appropriate action in order to implement paragraphs 3 and 6 of part II A of recommendation A.II.1 of the first session of the Conference before the end of the United Nations Development Decade.

III. Synthetics and substitutes

1. Proliferation and promotion of synthetics and substitutes in developed countries has resulted in shrinking markets and falling prices for competing natural products produced by developing countries.

2. Appropriate action should be taken as far as practicable by developed countries to restrain the production of such synthetics and substitutes as directly compete with natural products and to divert the excess production capacity to sectors which do not compete with natural products.

3. Developed and developing countries and inter-governmental organizations should endeavour to implement the recommendations unanimously adopted by the Conference at its first session and

included in recommendation A.II.7¹ of the Final Act, as far as they may be concerned.

4. They should also implement the provision of Special Principle Nine² contained in the Final Act concerning dumping, with reference to the marketing of synthetic products.

5. Developed countries should progressively remove tariff and non-tariff barriers against natural products, particularly differential tariffs on semi-processed and processed forms, which face serious competition from synthetics and substitutes. Such natural products in their raw, semi-processed and processed forms should be accorded preferential treatment in the markets of developed countries *vis-à-vis* synthetics and substitutes originating in developed countries.

6. Additional financial and technical assistance should be made available to assist developing countries producing natural products facing the threat of displacement to enable them to diversify into other areas of production including the processing of primary products.

7. The UNCTAD secretariat, in conjunction with specialized agencies and the appropriate commodity study groups, should collate information and undertake studies for the purpose of promoting markets for natural products, particularly with respect to exploring areas of complementarity between natural products and synthetics; and on tariff and non-tariff barriers including internal charges affecting trade in natural products, in the raw semi-processed and processed form.

8. The Permanent Group on Synthetics and Substitutes should:

(a) Play a more effective part, in co-operation with concerned international agencies, study groups and commodity councils, in analysing the special problems faced by the various primary commodities exported by developing countries, owing to competition from synthetics and substitutes, and in recommending appropriate remedial action;

(b) Secure the implementation of the recommendations of the first session of the Conference contained in annex A.II.7 to the Final Act, and particularly of recommendations (i), (vi), (ix) and (x) of annex A.II.7 (and the recommendations of the second session of the Conference);

(c) Keep the production, and plans for future production, of synthetics under study;

(d) Meet regularly and submit a report on its activities to each session of the Committee on Commodities.

9. The Conference agrees that a special fund should be set up under UNCTAD auspices devoted to research for improvement in market conditions, cost efficiency and diversification of end-uses in respect of natural products which are threatened by competition from synthetics and substitutes. A working group should be set up to work out the details regarding the constitution and operation of the special fund.

10. The lead given by some developed countries in adopting domestic measures to protect the specific designation of certain natural products should be followed by all other developed countries.

IV. Disposal of surpluses and strategic reserves

1. Disposal of production surpluses or strategic reserves should not adversely affect:

(a) The exports of developing countries, the investment of capital in the exploration and development of new supplies;

(b) The trade, agricultural and mineral development of developing countries;

(c) The position of developing countries receiving these surpluses as assistance.

2. (a) Disposal of agricultural surpluses should be made in accordance with the FAO Principles of Surplus Disposal;³

(b) Disposal from strategic reserves should:

(i) Take into account the demand and supply position;

(ii) Supplement, and not compete with, natural production;

¹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 32-33.

² *Ibid.*, p. 23.

³ *The Disposal of Agricultural Surpluses — Principles recommended by FAO* (FAO, Rome 1963).

- (iii) Be spread over an agreed period of time;
- (iv) Not be made below the prevailing market prices.

3. There should be effective prior consultations between the Government making the disposal on the one hand and the Governments of the producing countries and the international agencies concerned on the other hand. The existing machinery for consultation on surplus disposal should, where necessary, be widened and reinforced and suitable machinery should be established where such arrangements do not exist. The consultative machinery should also provide for a regular review of the disposal plans and their likely effects on the market.

COMMODITY PROBLEMS AND POLICIES

Draft resolution submitted by Afghanistan, Algeria, Argentina, Brazil, Cameroon, Ceylon, Ethiopia, India, Indonesia, Iran, Ivory Coast, Jamaica, Malaysia, Mexico, Philippines, Pakistan, Senegal, United Arab Republic, United Republic of Tanzania, Uruguay, Venezuela, Yugoslavia (TD/II/C.1/L.10/Add.2)

Addendum to document TD/II/C.1/L.10

Special measures for the least developed among developing countries

A. Trade liberalization

1. In selecting products for improving market-sharing, special attention should be given to commodities of particular interest to the least developed among developing countries.

2. Special consideration should be given to the needs of the least developed countries in relaxing tariff and non-tariff barriers affecting access to the markets both in tropical and temperate products.

3. Developing countries should pay special attention to expanding their imports of primary products produced by the least developed among the developing countries.

B. Commodity arrangements

1. In selecting products for commodity arrangements envisaged under part two, A 1 of the Charter of Algiers (TD/38), as far as possible priority should be given to commodities of particular interest to the least developed countries.

2. In the preparation and negotiation or re-negotiation of international commodity agreements and arrangements, appropriate liberal treatment should be accorded to the least developed countries. To this end, consideration should be given to the need of retaining flexibility in the use of the techniques adopted in order: (a) to consolidate and increase market opportunities for efficient producers among developing countries; (b) to enable small trading developing countries and countries progressing from a subsistence to a cash economy to attain economic levels of production for the purpose of economic growth and to maintain satisfactory levels of consumption at reasonable prices; and (c) not to obstruct access to the market for potential producers and producers heavily dependent on the export of the commodity in question from developing countries.

In applying all these considerations, account should be taken of the trade needs of traditional producers among developing countries, and the capacity of the market to absorb new production.

3. Financial and technical assistance relating to production and diversification, including any funds for such purposes to be set up under international commodity agreements, should give greater attention to the needs of the least developed countries, taking into account the capacity of the market to absorb new production and, as appropriate, the objectives of the international agreement concerned.

4. In the sharing of costs and in the pre-financing arrangements, special arrangements should be made including the granting of "soft loans", taking into account the objectives and the particular characteristics of each agreement, by international financial agencies and governmental agencies of developed countries, in order to ease the burden on the least developed countries.

5. Developed countries might divert larger amounts of their resources towards finding new uses to products of particular interest to the least developed countries facing a declining market.

6. In implementing the provisions of part two, A 2(e) of the Charter of Algiers adequate measures should be taken to safeguard the interests of the least developed among the developing countries.

COMMODITY PROBLEMS AND POLICIES

Amendment to document TD/II/C.1/L.10 submitted by Ivory Coast and Senegal (TD/II/C.1/L.13)

II. Trade liberalization

D. Removal of barriers and other measures for improvement of access

In the first sentence after the words "before the end of 1968", insert the following phrase:

"subject to the provisions of recommendation A.II.1, part II A, paragraph 6, of the Final Act of the first session of the Conference."

Programme for the liberalization and expansion of trade in commodities of interest to developing countries (Agenda item 10 (c))

TRADE LIBERALIZATION

*Draft resolution submitted by Canada and United States of America (TD/II/C.1/L.14) **

The United Nations Conference on Trade and Development, Recalling recommendation A.II.1 of the first session of the Conference,

Noting that inadequate progress has been made in achieving the objectives of that recommendation,

Recognizing the need for a more vigorous effort to liberalize existing restrictions which adversely affect developing countries' export earnings of primary products,

Agrees to undertake the following programme of action:

1. Standstill

The developed countries to the fullest extent possible should support the following:

(a) No new tariff or non-tariff barriers should be created (or existing barriers increased) by developed countries against imports of primary products of particular interest to developing countries.

(b) The Secretary-General of UNCTAD should submit to the third session of the Committee on Commodities a comprehensive list of tariff and non-tariff restrictions introduced by developed countries affecting such products between the first and the second sessions of the Conference. The Secretary-General of UNCTAD should seek the collaboration of the Director-General of GATT in compiling this information.

(c) The Committee on Commodities, at its third session, should consider, in the light of the information submitted by the Secretary-General of UNCTAD, the feasibility of setting specific early target dates for the elimination of restrictions inconsistent with the standstill recommendation of the first session of the Conference. A case-by-case examination of restrictions affecting primary products of major interest to developing countries may increase the prospect of joint action by the developed countries concerned.

2. Access

(a) Governments should accord high priority to the reduction of trade barriers affecting the exports of developing countries. The most fruitful approach is case-by-case examination of particular commodity situations.

(b) Action to increase access to markets should be undertaken as an international co-operative endeavour wherever possible. Governments should, however, take individual action when possible for them to do so and when such action is consistent with their obligations under GATT.

* Incorporating document TD/II/C.1/L.14/Corr.1.

(c) Where trade barriers are a reflection of domestic support policies, Governments should review and to the extent possible adjust their methods of support so as to limit the trade-restricting effects.

(d) Where a Government of a developed country directly or indirectly determines the resale prices of products wholly or mainly produced in the developing countries, they should make every effort to maintain trade margins at equitable levels.

(e) Centrally planned economy countries should announce a specific target for imports from developing countries.

3. Fiscal charges

(a) The developed countries should, to the maximum extent possible, refrain from imposing new fiscal measures on products currently or potentially of particular export interest to developing countries, and give high priority to the reduction and elimination of such charges which hamper significantly the growth of consumption of primary products, in raw or processed form.

(b) In cases where early reduction or elimination of such existing fiscal charges may not be feasible, the developed countries applying such charges should give urgent consideration to contributing the funds thus received to development funds operating for the benefit of the countries exporting the product in question, including, where applicable, diversification funds.

4. Market sharing

(a) In cases where developed countries apply — consistent with their international undertakings — quantitative restrictions on primary products of particular interest to developing countries, they should give on a case-by-case basis consideration to the possibility of allowing external suppliers to participate appropriately in the increased consumption.

(b) The Secretary-General of UNCTAD should prepare a survey of the extent to which this practice is currently being applied and submit to the Committee on Commodities suggestions with respect to particular products where its wider application could be expected to provide significant new trade opportunities for developing countries.

5. Preferences

The Conference requests the Secretary-General of UNCTAD:

(a) To carry out, in co-operation with the Governments and agencies concerned, a study on the effects of special preferences on the economies of countries at present enjoying them;

(b) To carry out studies on a commodity-by-commodity and country-by-country basis concerning the measures which would be required in the event of phasing out of these preferences to ensure the developing countries enjoying such preferences the effective application of international measures *pari passu* providing at least equivalent advantages for such countries.

Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from export of primary commodities

(Agenda item 10 (b) (iii))

PRICING POLICY

Proposals submitted by Canada and United States of America (TD/II/C.1/L.15)

The Conference agrees to enunciate a series of general principles relating to pricing policy. These principles could be considered in inter-governmental consultations with respect to the application of stabilization techniques or conclusion of commodity arrangements, having due regard to the characteristics of each commodity and underlying market forces.

I. Objectives

A major objective of pricing policy for primary commodities, particularly for those coming from the developing countries, should

be the promotion of stable price levels that would be generally remunerative to producers and equitable to consumers. This would, within the context of a liberal trading environment, enable the developing countries to expand their total export earnings and assist in achieving the objectives as a whole of the economic expansion of the developing countries, as defined by the General Assembly and UNCTAD. These price levels should neither be so low as to discourage generally efficient producers, or so high as to lead to structural over-supply as well as recourse to substitutes and synthetics. It should also not provide a disincentive to healthy diversification of the economy of producing countries.

To this end and subject to the foregoing considerations the following objectives should be sought in so far as possible and appropriate to the product in question:

1. Where prices of primary commodities are clearly not reasonably remunerative to producers, appropriate efforts should be made to strengthen such prices to the greatest extent possible;

2. Excessive price fluctuations should be eliminated;

3. Product prices should take into account the need to stimulate producers to increase productivity and to realize sufficient income from production and exports to enjoy satisfactory levels of consumption and savings;

4. Product prices, *inter alia*, should contribute to providing producing countries with financial resources necessary to implement a policy of economic expansion, including a commodity policy that helps over-all development;

5. The prices of commodities should contribute to a dynamic and steady growth in the export earnings of the developing countries so as to provide them with increasing foreign exchange receipts to finance their economic and social development.

II. Practical aspects of application

1. For primary commodities where a price range has been agreed to in the context of an international agreement, all participating countries should comply with the obligations specified in the agreement to defend the price range.

2. In the case of non-renewable primary products, prices should be sufficient to encourage necessary exploration, and new production competitive with synthetics and substitutes so as to contribute to the continuing growth of the real income of the producing country while at the same time safeguarding the interests of consumers.

3. Price ranges, where established within the framework of international commodity arrangements, should remain in force for a sufficiently long period:

- (a) To provide greater predictability of export receipts of developing countries;

- (b) To assist in the formulation and development of programmes designed to correct structural disequilibrium.

4. Prices should contribute to the diversification necessary to assure a more rational utilization of resources in developing countries.

COMMODITY PROBLEMS AND POLICIES

Proposal submitted by Belgium, Federal Republic of Germany, France, Italy, Luxembourg, Netherlands (TD/II/C.1/L.19)

The Conference agrees to establish a set of general principles on price policy which will serve as guidelines in the inter-governmental consultations and actions to be taken with regard to individual commodities with a view to applying stabilization techniques and concluding other arrangements in the international markets of such commodities.

I. Objectives

The main objective of a pricing policy for commodities produced by developing countries should be to secure stable price levels remunerative for the producer and equitable for the consumer in order to contribute to the achievement of the over-all targets of

economic development of the developing countries as set by the General Assembly of the United Nations and by UNCTAD. In this context, the price levels of these products should not be such as to encourage either structural over-production or resort to substitute products. To this end:

1. The prices of commodities should not be allowed to deteriorate further and should, where possible, be improved;
2. Excessive fluctuations in price should be eliminated;
3. The prices of commodities should allow the producer a sufficient income to encourage increased productivity and the maintenance of fair labour standards while raising the levels of consumption and savings;
4. The price of commodities should provide the producing countries with financial resources to help them to implement a policy of economic expansion, including a commodity policy contributing to the promotion of over-all development;
5. The prices of commodities should help to ensure that the developing countries' export earnings are sufficient to maintain and increase their imports of capital goods.

II. Operational guidelines

1. With regard to commodities for which price ranges have been agreed upon in the context of an international agreement, all the participating countries should co-operate in defending such price ranges.
2. In the case of non-renewable primary commodities (minerals) the price level should be such as to encourage the further exploration and development of new supplies and to ensure an increase in the income of the developing countries producing these commodities.
3. The price mechanism established in international consultations or arrangements should remain in force for a sufficiently long period to permit:
 - (a) Reasonable predictability as to the export earnings of developing countries; and
 - (b) The implementation of an action-oriented programme designed to correct instances of structural disequilibrium.
4. Prices should permit the progressive diversification, when applicable, of the pattern of production in developing countries.

COMMODITY PROBLEMS AND POLICIES

Amendments to document TD/II/C.1/L.19 submitted by Australia (TD/II/C.1/L.20)

1. Objectives

Main paragraph

Delete "for commodities produced by developing countries" from first sentence.

End the first sentence after "equitable for the consumer".

Delete "in order to" from first sentence and commence new sentence, "Such price levels would contribute...".

Paragraph 5

Commence the paragraph with "Consistent with paragraph 4, the prices...".

II. Operational guidelines

Paragraph 2

Insert "countries, including" after "in the income of".

Paragraph 3

Replace "developing" in sub-paragraph (a) by "exporting".

Paragraph 4

Add "and other exporting countries".

Main elements of commodity policy including international commodity arrangements and other techniques of commodity market stabilization (Agenda item 10 (b))

DISPOSAL OF SURPLUSES AND STRATEGIC RESERVES

*Amendment to document TD/II/C.1/L.10,
submitted by the United States of America
(TD/II/C.1/L.21)*

IV. Disposal of surpluses and strategic reserves

Replace the present text of part IV by the following:

"1. In disposing of production surpluses, strategic reserves and other government-held surpluses Governments should avoid undue disruption of:

" (a) Usual markets for these products and the investment of capital in the exploration and development of new supplies;

" (b) The trade, agricultural and mineral development of developing countries;

" (c) The position of developing countries receiving these surpluses as assistance.

" 2. (a) Disposal of agricultural surpluses should be made in accordance with the FAO Principles of Surplus Disposal.

" (b) Disposal from strategic reserves and other government-held inventories of primary products should:

" (i) Take into account the demand and supply position;

" (ii) Be spread over a reasonable period of time;

" (iii) Be made on the basis of the prevailing market prices.

" 3. There should be prior consultations between the Government making the disposal on the one hand and the Governments of the producing countries and/or the international agencies concerned on the other hand."

COMMODITY PROBLEMS AND POLICIES

Proposal submitted by Belgium, Federal Republic of Germany, France, Italy, Luxembourg, and Netherlands (TD/II/C.1/L.22)

Elements of a commodity policy

I. Scope of a commodity policy

A definition of a concerted international commodity policy is to be found in Annex A.II.1 to the Final Act of the first session of the United Nations Conference on Trade and Development, entitled "International commodity arrangements and removal of obstacles and expansion of trade".

A concerted policy which would take into account, *inter alia*, the work of UNCTAD and of other interested international bodies since the first session of the Conference should in particular achieve the following:

(a) It should introduce a dynamic element into the export earnings of the developing countries by helping to iron out short-term fluctuations in commodity prices, by providing for the stabilization of prices at a remunerative and equitable level and by increasing and diversifying the exports of those countries;

(b) It should enable the developing countries to provide for their essential food needs;

(c) It should ensure supplies of the raw materials necessary for world-wide industrial expansion in equitable conditions.

II. Means of implementing a commodity policy

Specific measures for implementing the comprehensive commodity policy mentioned in section I above must be defined in relation to the particular situation of each commodity. The choice of an appropriate framework should be extremely broad, ranging from information collection or consultation between importing and exporting countries to international study groups and international agreements.

1. *Improvement of export earnings through prices*

Stable, equitable and remunerative prices are an essential element in any policy designed to regulate the market for a given product.

Price stabilization at equitable and remunerative levels, for both producers and consumers, may be achieved by a now well-known range of techniques, which can be used singly or in combination, and which may vary according to the product. With particular reference to products subject to competition from synthetics or substitutes, price stabilization should be carried out in conjunction with scientific and technical research designed to improve the competitiveness of the natural product, to find new uses creating additional outlets, and to promote modern marketing methods for those products.

The price policy should be so implemented as to promote a balance between consumption and production.

2. *Improvement of export earnings through development of trade*

The creation of conditions of access to the markets of developed countries, both market-economy countries and countries having a centrally-planned economy, to an extent compatible with assured supply and internal economic and social equilibrium, is one possible method of promoting trade expansion.

The same is true of the expansion of trade among the developing countries, in particular within the framework of regional integration.

Finally, promotion measures aimed at marketing and consumption may stimulate an increase in the volume of trade. In this connexion, the activities of the UNCTAD/GATT International Trade Centre should be intensified with a view to increasing technical assistance to the developing countries to aid their exports of primary products to developed countries and to each other.

3. *Diversification of the economies of the developing countries*

The diversification of the economies of countries producing primary commodities, if effectively implemented after appropriate product-by-product and country-by-country studies, or on a regional basis, in the longer-run offers those countries additional prospects of increasing their share in international trade.

National and regional diversification plans of this kind are the primary responsibility of the developing countries concerned; but the support of industrialized countries and international organizations, as part of their technical and financial aid programmes, is desirable. In this context, national policies should be more closely co-ordinated so as to provide a clearer picture of consumption trends and production capabilities.

4. *Action by international financing institutions*

The international financing institutions concerned should be able to help in implementing some of the measures set out in points 1, 2 and 3 above.

In this connexion the importance of the resolution adopted at the annual meeting of the Governors of the International Monetary Fund and the International Bank for Reconstruction and Development, held in Rio de Janeiro in September 1967, should be pointed out.

In accordance with that resolution, the Bank, in collaboration with the Fund, is at present studying the problem of stabilizing commodity prices, its possible solutions and their economic viability. This study will be submitted to the Board of Governors of the two institutions for consideration and ultimate decision. It would be helpful if it was also communicated to UNCTAD.

III. *Work programme*

1. Concerted measures to be taken in co-operation with the competent international organizations in regard to the following products:

(a) Cocoa (an international agreement to be concluded at an early date, and in any case before the end of 1968);

(b) Sugar (an international agreement to be negotiated as a result of the Sugar Conference called by the Secretary-General of UNCTAD);

(c) Oils and oilseeds, rubber, tea, cotton, tropical timber and derivatives (international consultations to be undertaken or pursued with a view to finding adequate solutions); sisal and hard fibres (existing agreements to be strengthened);

(d) Iron-ore, pepper, bananas, shellac, mica, phosphates (for the particular attention of the Committee on Commodities).

2. Studies of trade measures to benefit the least-advanced among the developing countries, to be undertaken forthwith and concluded by 31 August 1969 by the UNCTAD secretariat in consultation with the countries and international organizations concerned.

COMMODITY PROBLEMS AND POLICIES

Amendment to document TD/II/C.1/L.10 submitted by Algeria, Argentina, Brazil, Cameroon, Ceylon, Ethiopia, India, Indonesia, Iran, Ivory Coast, Jamaica, Malaysia, Mexico, Pakistan, Philippines, Senegal, United Arab Republic, United Republic of Tanzania, Uruguay, Venezuela and Yugoslavia (TD/II/C.1/L.23)

I. *International action on commodities*

C. *Oilseeds, oils and fats*

Replace the present text by the following:

" *The Conference,*

" 1. Invites the secretariats of UNCTAD and FAO to pursue jointly and urgently the study of possible solutions to the problems involved in the trade of oilseeds, oils and fats and specifically of those solutions mentioned in paragraph 19 of the report on the third session of the Study Group on Oilseeds, Oils and Fats and that these studies be completed before the end of October 1968.

" 2. *Recommends* that the Secretary-General of UNCTAD and the Director-General of FAO, in consultation with interested Governments, set up an inter-governmental consultative committee on oilseeds, oils and fats at the earliest possible time, but not later than the end of 1968, for the purpose of:

" (a) Considering the report of the joint secretariats referred to in paragraph 1 above;

" (b) Making appropriate preparations for the convening of a United Nations negotiating conference on oilseeds, oils and fats at the earliest possible time, but not later than the end of June 1969.

" 3. *Stresses* the importance of the active participation in these meetings of all countries members of FAO or UNCTAD having an interest in the production of oilseeds, oils and fats and in the international trade of these commodities."

Programme for the liberalization and expansion of trade in commodities of interest to developing countries

(Agenda item 10 (c))

LIBERALIZATION OF COMMODITY TRADE

Draft resolution submitted by Belgium, Federal Republic of Germany, France, Italy, Luxembourg and Netherlands (TD/II/C.1/L.24/Rev.1)

The United Nations Conference on Trade and Development,

Recalling recommendation A.II.1 of the first session of the Conference,

Noting that the progress made in the context of that recommendation has not stimulated trade to a degree commensurate with the expectations of the developing countries,

Considering the desirability of more resolute action to reduce or eliminate, wherever possible, restrictions which adversely affect developing countries' export earnings from primary products.

Recognizing that such measures can be considered by each country only in the context of a case-by-case study and to the extent compatible with their prior international obligations,

Recommends that the Governments of the States members of UNCTAD should, inasmuch as each is concerned, give all possible

support to the following programme, in the context of recommendation A.II.1 of the first session of the Conference:

A

1. The Governments of the States members of UNCTAD should strive not to increase the existing obstacles to the export of primary products of particular interest to developing countries and not to create new ones.

B

2. Governments should seek to reduce trade barriers or measures of equivalent effect which hamper the exports of primary products from the developing countries. The most effective method would be to examine case by case the situation of the products in question.

3. Action to improve conditions of access to markets should be undertaken as an international co-operative endeavour wherever possible. Governments should, however, take independent action when possible and when such action is consistent with their obligations under GATT.

4. The tariff reductions offered during the Kennedy Round on primary products of export interest to developing countries should be applied to all those countries, without phasing and without reciprocity.

5. When Governments directly or indirectly determine the retail prices of goods wholly or mainly produced by the developing countries, they should make every effort to maintain trade margins at equitable levels.

6. The Governments of centrally-planned economy countries should announce specific targets for imports from developing countries.

C

7. Governments should, as far as possible, refrain from introducing new fiscal measures affecting primary products currently or potentially of particular export interest to developing countries. Moreover, Governments should consider the possibility of envisaging the reduction of levies which may in effect have hampered the growth of consumption of a given commodity.

D

8. The Secretary-General of UNCTAD is requested to carry out, in co-operation with the Governments and agencies concerned, a study of the effects of preferences on the economies of countries at present enjoying them.

9. The Secretary-General of UNCTAD is requested to carry out studies on a commodity-by-commodity and country-by-country basis concerning the measures required to ensure the developing countries enjoying such preferences the effective application of international measures providing at least equivalent advantages.

Main elements of commodity policy including international commodity arrangements and other techniques of commodity market stabilization

(Agenda item 10 (b))

INTERNATIONAL ACTION ON COMMODITIES

*Proposals submitted by Austria, Australia, Belgium, Canada, Denmark, Federal Republic of Germany, Finland, France, Ireland, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland, United States of America (TD/II/C.1/L.25) **

A. Cocoa

The United Nations Conference on Cocoa should be reconvened as soon as possible after the present session of the United Nations

Conference on Trade and Development and should be preceded by such consultations as the Secretary-General of UNCTAD deems necessary to ensure its success. In any case, the Conference should be convened not later than the end of May.

B. Sugar

The United Nations Conference on Trade and Development, noting the convening of the United Nations Conference on Sugar on 17 April 1968, invites the Secretary-General and the Governments concerned to take all necessary steps to ensure its success with the objective of bringing into operation an international agreement by 1 January 1969.

C. Oilseeds, oils and fats

The Conference,

1. *Invites* the secretariats of UNCTAD and FAO to pursue jointly and urgently the study of possible solutions to the problems involved in the trade of oilseeds, oils and fats and specifically of those solutions mentioned in paragraph 19 of the report on the third session of the Study Group on Oilseeds, Oils and Fats,

2. *Recommends* that in the light of the results of both the study mentioned in paragraph 1 above and the fourth session of the Study Group, the Secretary-General of UNCTAD and the Director-General of FAO, in consultation with the interested Governments of the main exporting and importing member countries, examine the need to set up a consultative committee with the task of:

- (a) Suggesting short-term measures with a view to improving the market situation of oilseeds, oils and fats;
- (b) Submitting proposals for longer-term arrangements;

3. *Stresses* the importance of participation in these meetings by all countries members of FAO or UNCTAD having an interest in the production of oilseeds, oils and fats and in international trade in these commodities;

4. *Recommends* that a comprehensive report and suggestions on the questions mentioned in paragraph 2 (a) and (b) above be presented at the earliest possible date to the FAO Committee on Commodity Problems and to the UNCTAD Committee on Commodities, or to the Council of FAO and the Trade and Development Board.

D. Natural rubber

The Conference,

1. *Unanimously adopts* the report and endorses the conclusions of the UNCTAD Exploratory Meeting on Rubber set out in paragraphs 23 and 24 of document TD/39;

2. *Requests* the International Rubber Study Group and its Consultative Committee of Natural and Synthetic Rubber Producers to keep a continuing watch on the natural and synthetic rubber situation and the extent to which the remedial measures set out in paragraphs 23 and 24 of the above-mentioned report are effective, to formulate such further measures as they may judge appropriate and to report periodically to the appropriate bodies of UNCTAD;

3. *Charges* the Permanent Group on Synthetics and Substitutes; in co-operation with the International Rubber Study Group and as appropriate other associated agencies for rubber with the task of:

- (a) Hastening the implementation of the measures as defined in paragraph 23 of document TD/39;
- (b) Periodically reviewing the progress of implementation of the measures mentioned in sub-paragraph (a) above;
- (c) Ascertaining if the remedial measures instituted are effective;
- (d) Considering measures formulated under paragraph 2 above and such other measures as it may judge appropriate from time to time;
- (e) In general keeping a watch on the natural rubber and synthetic rubber situation;

4. *Further requests* the Committee on Commodities to review periodically the progress of implementation of these measures and to report to the Trade and Development Board, the first such review to take place at the next meeting of the Committee on Commodities.

* Incorporating document TD/II/C.1/L.25/Corr.1.

E. Hard fibres

The Conference,

Noting with satisfaction

(a) The conclusion of the informal understanding on sisal and henequen reached between the major producing and consuming countries on an indicative price range and export quotas at the last session of the Consultative Sub-Committee of the FAO Study Group on Hard Fibres,¹

(b) The conclusion of the informal understanding on abaca reached between the major producing and consuming countries on an indicative price range at the last session of the Consultative Sub-Committee of the FAO Study Group on Hard Fibres,²

Recognizing the value of both producers and consumers of stabilizing the markets in the long-term,

1. Requests the Secretary-General of UNCTAD, in consultation with FAO and the Governments of the member States concerned, to follow closely and evaluate the operations of the informal understandings referred to above with regard to achieving desired stabilization of the markets of these commodities;

2. Further requests the Secretary-General of UNCTAD, in the light of further considerations by the Study Group and in consultation with the FAO and the Governments concerned, to consider whether further steps including the possibility of a formal agreement are necessary and desirable;

3. Urges that Governments, in any measures they take, give due consideration to the efforts of producers of sisal, henequen and abaca to improve market conditions through current informal arrangements.

F. Jute

The Conference,

Noting the conclusion of an informal arrangement on jute,

1. Considers that it should be continued and strengthened;

2. Also considers that effective international action is necessary for the stabilization of the price of jute in the world market;

3. Recommends that the Study Group on Jute, Kenaf and Allied Fibres should urgently explore the feasibility of setting up an appropriate buffer-stock scheme for this commodity, as suggested in paragraph 24 of its Consultative Committee's report,³ and keep the Committee on Commodities informed of the progress made.

G. Other commodities

The Conference,

Noting the activities of the Study Groups on Bananas and on Citrus Fruit and of the commodity bodies on cotton and tungsten and the *ad hoc* meetings for tea and the decision to convene an *ad hoc* meeting on wine,

Also noting that in the case of iron-ore, tobacco, manganese ore, mica, pepper, shellac and phosphates, no study groups or *ad hoc* meeting have so far been arranged,

Further noting that in the view of developing countries all the commodities mentioned above require urgent action, in order:

(a) To identify the problems faced by the commodity,

(b) To determine the techniques appropriate for dealing with them, and

(c) To recommend appropriate remedial measures.

1. Requests the *ad hoc* meetings and commodity bodies mentioned above, to examine the commodity concerned on the lines indicated above in close co-operation with the Secretary-General of UNCTAD at their next meeting;

2. Further requests these bodies to transmit the results to the Committee on Commodities of UNCTAD for consideration and review;

3. Invites the Secretary-General of UNCTAD, taking into account the views of the commodity group concerned and after consulting with the interested member Governments, to arrange for inter-governmental consultations;

4. Also requests the Secretary-General of UNCTAD, in the case of those commodities not covered by international bodies, to make the necessary studies in collaboration, where appropriate, with the competent international institutions and to arrange, after consulting with the interested member Governments, the inter-governmental consultations he may consider useful to examine these commodities on the lines indicated above;

5. Agrees that, as far as practicable, these studies and consultations should be held concurrently for all the commodities and not on a commodity-after-commodity basis and that they should aim at achieving practical results by the end of 1969;

6. Further requests the Secretary-General of UNCTAD to report periodically on these studies or consultations to the Committee on Commodities and the Trade and Development Board.

7. Requests the Committee on Commodities to review periodically the commodities listed above and if necessary to add items to it.

For such products of the temperate zone produced by developing countries and not specifically mentioned in the preceding paragraphs, the Secretary-General of UNCTAD should, in fulfilment of General Assembly resolution 1995 (XIX), continue to exchange information with GATT, FAO and other international agencies with the objective of a comprehensive and continuing evaluation of the problems and of measures to be adopted for their solution and report regularly to the Committee on Commodities.

Operation and financing of buffer-stocks

(Agenda item 10 (b) (i))

Proposal submitted by Australia, Austria, Belgium, Canada, Denmark, Federal Republic of Germany, Finland, Ireland, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland, United States of America (TD/II/C.1/L.26) *

I. Operation

1. Buffer-stock techniques as a measure for market stabilization should, where appropriate, be one of the methods adopted for international commodity arrangements.

2. A buffer stock should be given appropriate flexibility, taking account of other techniques of stabilization adopted and of its available resources for the defence of the minimum and maximum prices at any time these prices are threatened by current trends.

3. The intervention of the buffer stock should be designed to take full account of the characteristics of the market concerned in order to bring its full stabilizing impact to bear.

II. Financing

1. If pre-financing of buffer stocks is necessary, all possibilities should be considered, including private sources of capital, international financing organizations or voluntary contributions by Governments under the form of loans or any other form.

2. A buffer stock should be equipped with adequate funds, through a regular income if necessary, so as to be in a position to play its appropriate role towards market stabilization.

3. This regular income should be provided in a form that is equitable for all parties concerned, having regard to the techniques adopted in a particular commodity agreement and the situation of the market.

Role and financing of diversification programmes

(Agenda item 10 (b) (ii))

Proposals submitted by Austria, Belgium, Canada, Denmark, Federal Republic of Germany, Finland, France, Ireland, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland, and United States of America (TD/II/C.1/L.27) **

The United Nations Conference on Trade and Development, recognizes that diversification constitutes an essential element in

¹ See FAO document CCP: HF 68/9, paras. 10-17.

² *Ibid.*, paras. 22-27.

³ FAO document CCP: JU 68/9.

* Incorporating documents TD/II/C.1/L.26/Corr.1 and 2.

** Incorporating document TD/II/C.1/L.27/Corr.1.

the process of economic development of developing countries. With a view to accelerating this process it makes the following recommendations:

1. Diversification should be both horizontal into other products and vertical into the semi-processed and processed forms.

2. Taking into account the basic needs of each country in assuring balanced economic development, such diversification programmes should aim at:

(a) The increase of food production in food-deficient countries;

(b) The broadening of the pattern of exports in favour of commodities which are in relatively dynamic demand on the world market;

(c) The increase in exports of semi-processed and processed commodities by these countries;

(d) The expansion of production of semi-manufactures and manufactures in developing countries.

3. Diversification programmes should be one of the means of correcting the deficiencies of existing economic structures, in accordance with the following guidelines:

(a) For commodities produced wholly or mainly in developing countries and not facing competition from synthetics and substitutes, diversification programmes should be an integral part of any accepted scheme for production control that is adopted in the context of international commodity arrangements for commodities in structural over-production;

(b) For commodities facing competition from synthetics and substitutes, and for manufactured commodities mass-produced in both developed and developing countries, diversification programmes should be used, in developing countries to enhance the vertical diversification of such products, to improve the competitive position of the natural product, to devise new uses leading to the creation of additional outlets, to promote research and to encourage the use of modern trading methods.

4. Certain readjustments in the structure of industries in developed countries may be necessary as a result of vertical diversification in developing countries. The Conference considers that the local processing of commodities will be encouraged by a general world expansion in the consumption and use of, and trade in, both raw materials and manufactured products derived from them and by better co-operation between industries in the developed and developing countries in the field of semi-processed products.

5. Developed countries and the appropriate international financial institutions, including regional development banks, should give increased attention in their current assistance programmes to the diversification problems of the developing countries in order to supplement the resources provided by the developing countries themselves. Specific funds for diversification should be one of the features of commodity arrangements, wherever possible.

6. Highest priority should be given to diversification in the programmes, at international, regional and sub-regional levels, aimed at trade expansion and economic integration among developing countries.

7. In order to assist in the formulation of diversification programmes, the Secretary-General of UNCTAD, in co-operation with the appropriate specialized agencies and other international bodies, including regional development banks, should make detailed proposals to the Committee on Commodities for studies on the diversification problems relevant to a certain number of commodities facing excess supply in the world market or competition from synthetics and substitutes.

Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from export of primary commodities

(Agenda item 10 (b) (iii))

GUARANTEED MINIMUM AGRICULTURAL INCOME

Amendment to document TD/II/C.1/L.2 submitted by Central African Republic, Holy See, Ivory Coast and Senegal (TD/II/C.1/L.28)

Replace document TD/II/C.1/L.2 by the following text:

"The United Nations Conference on Trade and Development,

"Recalling Article 55 of the Charter of the United Nations which provides, *inter alia*, that the United Nations shall promote higher standards of living, full employment, and conditions of economic and social progress and development;

"Considering that the existence of reasonable and stable remunerative prices for primary commodities exported by the developing countries would make it possible to ensure for the producers of such commodities an enhanced and more equitable purchasing power,

"1. Emphasizes that an organization of trade involving remunerative prices would enable the Governments of the developing countries to ensure a reasonable income for the producers;

"2. Notes with interest the proposal in the report of the First Committee of the Ministerial Meeting of the Group of 77, contained in annex I to the Charter of Algiers (TD/38/Add.1);

3. Requests the Secretary-General of UNCTAD to study, in co-operation with the competent specialized agencies, the possibility of defining the elements of a minimum agricultural income for wage-earning and other producers of primary commodities in developing countries and the links which should be established between such a minimum agricultural income and an organization of trade in primary commodities of interest to those countries.

Programme for the liberalization and expansion of trade in commodities of interest to developing countries

(Agenda item 10 (c))

TRADE LIBERALIZATION

Amendment to document TD/II/C.1/L.10 submitted by Madagascar (TD/II/C.1/L.29)

II. Trade liberalization

D. Removal of barriers and other measures for improvement of access
Add at the end of sub-paragraph 1:

"subject to the transitional arrangements provided for in recommendation A.II.1, part II A paragraph 6, of the Final Act of the first Conference".

F. Preferences

Amend the beginning to read:

"The Conference,

"Considering the need to implement paragraphs 3 and 6 of part II A of recommendation A.II.1, concerning transitional arrangements, adopted unanimously at the first session, and noting the requirement to grant equivalent advantages to the countries which at present enjoy such preferences and the fact that a prior study is essential in order to determine those advantages,".

**Problems arising from the development
of synthetics and substitutes**

(Agenda item 10 (d))

SYNTHETICS AND SUBSTITUTES

Amendments to document TD/II/C.1/L.10 submitted by Australia, Austria, Belgium, Canada, Denmark, Federal Republic of Germany, Finland, Ireland, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland, and United States of America (TD/II/C.1/L.30)

III. Synthetics and substitutes

Replace paragraphs 2 *et seq.* by the following text:

"2. The Conference urges Governments and producers of synthetics to bear in mind, when taking decisions concerning the creation and use of synthetic products, the desirability of taking due account of the balance between supply and demand.

"3. Appropriate action should be taken, as far as practicable, to improve the competitiveness of natural products and to study all possibilities of complementarity between natural products and synthetics.

"4. Developed and developing countries and inter-governmental organizations should endeavour to implement the recommendations adopted at the first session of the Conference and contained in Annex A.II.7 of the Final Act, as far as they may be concerned.

"5. They should also take account, in connexion with the marketing of synthetic products, of the provision of Special Principle Nine in the Final Act adopted at the first session of the Conference, concerning dumping.

"6. In their financial and technical assistance programmes, the developed countries should pay close attention to the problems of developing countries producing natural products which suffer serious competition from synthetics and substitutes, in order to help them to diversify into other areas of production including processing of primary products.

"7. The UNCTAD secretariat, in conjunction with GATT, the competent specialized agencies and the appropriate commodity study groups, should collate information and undertake studies for the purpose of promoting markets for natural products, particularly with respect to areas of complementarity between natural products and synthetics, and tariff and non-tariff barriers, including internal charges, affecting trade in natural products, in the raw, semi-processed and processed form.

"8. The Permanent Group on Synthetics and Substitutes should:

"(a) Play an active role, in co-operation with the international agencies, study groups and commodity councils concerned, in analysing the special problems faced by the various primary commodities exported by developing countries, due to competition from synthetics and substitutes, and in recommending appropriate remedial action;

"(b) Encourage contacts between the producers of synthetics and the producers of natural products;

"(c) Meet regularly and submit a report on its activities to each session of the Committee on Commodities.

"9. The Conference requests the Permanent Group on Synthetics and Substitutes to study ways and means of promoting scientific research and the improvement of market conditions, cost efficiency and the diversification of end-uses in respect of natural products which are threatened by competition from synthetics and substitutes.

Appendix II

DRAFT RESOLUTION ADOPTED BY THE FIRST COMMITTEE

Main elements of commodity policy including international commodity arrangements and other techniques of commodity market stabilization

(Agenda item 10 (b))

GENERAL AGREEMENT ON COMMODITY ARRANGEMENTS

Draft resolution submitted by Bulgaria, Czechoslovakia, Hungary, Poland, Union of Soviet Socialist Republics

The United Nations Conference on Trade and Development,

Reaffirming the role of UNCTAD under General Assembly resolution 1995 (XIX) of 30 December 1964 in the field of commodity trade,

Recalling resolution 36 (V) of the Trade and Development Board concerning the preparation of a draft general agreement on commodity arrangements,

Taking into account the exchange of views on that question at the second session of the Conference,

Recognizing the importance attached by many delegations to the urgent elaboration of a general agreement on commodity arrangements for the promotion and convening of international commodity conferences,

1. *Recommends* that the Secretary-General of UNCTAD invite the Governments of member States of UNCTAD to make their comments on the secretariat's Report (TD/30) concerning the substance and the form of a general agreement on commodity arrangements;

2. *Urges* the Committee on Commodities to study carefully at its third session the replies of the Governments and to suggest further steps it deems useful in order that the Trade and Development Board at its eighth session would be in a position to establish a suitable procedure for the preparation and adoption of a general agreement.

Appendix III

PRELIMINARY DOCUMENTS SUBMITTED TO THE CONTACT GROUP*

Proposal 1

Main elements of commodity policy including international commodity arrangements and other techniques of commodity market stabilization

(Agenda item 10 (b))

Amendment to proposals in document TD/II/C.1/L.10 submitted by Austria, Australia, Belgium, Canada, Denmark, Federal Republic of Germany, Finland, France, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland, United States of America

I. International action on commodities

C. Oilseeds, oils and fats

Replace the present text by the following:

"The Conference

"1. Invites the secretariats of UNCTAD and FAO to pursue jointly and urgently the study of possible solutions to the problems involved in the trade of oilseeds, oils and fats and specifically of those solutions mentioned in paragraph 19 of the report of the third session of the Study Group on Oilseeds, Oils and Fats;

"2. Recommends that in the light of the results of the study mentioned in paragraph 1 above, the Study Group set up, at its next session, in July 1968, a consultative sub-committee under the joint responsibility of FAO and UNCTAD;

"(a) To suggest short-term measures with a view to improving the market situation of oilseeds, oils and fats;

"(b) To submit proposals for longer-term arrangements;

"3. Stresses the importance of participation in these meetings by all countries members of FAO or UNCTAD having an interest in the production of oilseeds, oils and fats and in international trade in these commodities;

"4. Recommends that a comprehensive report and suggestions on the questions mentioned in sub-paragraphs 2 (a) and (b) above be presented at the earliest possible date to the FAO Committee on Commodity Problems and to the UNCTAD Committee on Commodities, or to the Council of FAO and the Trade and Development Board.

Proposal 2

Problems arising from the development of synthetics and substitutes

(Agenda item 10 (d))

Amendment to proposals in document TD/II/C.1/L.10 submitted by the United States of America

III. Synthetics and substitutes

Add at the end of paragraph 4:

"taking into account the obligations of some countries regarding the definitions and requirements of the General Agreement on Tariffs and Trade, Article VI and the anti-dumping code."

* A number of documents originally submitted in preliminary form to the Contact Group were subsequently submitted without change to the First Committee. These are reproduced in appendix I as documents TD/II/C.1/L.5, L.13, L.19, L.20, L.21, L.22, L.26, L.27 and L.29. In addition, certain other preliminary documents were combined to form parts of document TD/II/C.1/L.10, which also appears in appendix I.

All the documents in appendix I were submitted to both the First Committee and the Contact Group.

Proposal 3

Main elements of commodity policy including international commodity arrangements and other techniques of commodity market stabilization

(Agenda item 10 (b))

Amendment to proposals in document TD/II/C.1/L.10 submitted by Pakistan

I. International action on commodities

F. Jute

Replace the present text by the following:

"The Conference,

"Noting the conclusion of an informal arrangement on jute,

"1. Considers that it should be continued and strengthened,

"2. Also considers that more effective international action is necessary for the stabilization of the price of jute in the world market,

"3. Recommends that the Study Group on Jute, Kenaf and Allied Fibres should urgently explore the possibility of setting up an appropriate buffer-stock scheme for this commodity, as suggested in paragraph 24 of its Consultative Committee's report, and keep the Committee on Commodities informed of the progress made.

Proposal 4

Role and financing of diversification programmes

(Agenda item 10 (b) (ii))

Amendment to proposals in document TD/II/C.1/L.10 submitted by Hungary

B. Diversification

Replace the present text by the following:

"The Conference

"Recognizes that industrialization and diversification constitute an essential element in the process of economic development of developing countries;

"Affirms that:

"Industrialization and diversification should form part of an independent and sovereign national policy;

"While the task of industrialization and diversification devolves primarily upon the developing countries themselves, they should nevertheless be given assistance by the international community, including the international organizations and especially UNCTAD;

"Recommends, with a view to accelerating this process, that:

"1. Diversification should be both horizontal into other products, and vertical into the semi-processed and processed products for export.

"2. National and international diversification programmes should aim, in the light of the basic needs of each country for ensuring its balanced economic development, at:

"(a) The expansion of production of semi-manufactures and manufactures in developing countries;

"(b) The increased export of semi-processed and processed commodities by those countries;

"(c) The promotion of labour-intensive industries, as a section in which the developing countries are likely to enjoy optimum relative advantages;

"(d) The broadening of the pattern of exports in favour of commodities with relatively dynamic demand conditions on the world market;

"(e) Increased food production in food-deficient countries.

"3. Diversification programmes should be one of the means of correcting the deficiencies of the existing economic structures, according to the following guidelines:

"(a) For commodities produced wholly or mainly in developing countries and not facing competition from synthetics and substitutes, diversification programmes should be an integral part of any agreed scheme for production control that is adopted in the context of international commodity arrangements for commodities in structural over-production;

"(b) For commodities facing competition from synthetics and substitutes and commodities produced in large quantities both in developed and in developing countries, diversification programmes should be used:

"(i) In developing countries to intensify the vertical diversification of such products;

"(ii) In developed countries with market economies, in the socialist countries of Eastern Europe and in developing countries, account should be taken in national policies in respect of industry and trade of the likely effects of synthetics and substitutes production on possibilities for marketing natural products from developing countries;

"(c) Developed countries should try to refrain from increasing the capacity of processing industries established for the main purpose of processing raw materials imported from developing countries, and eventually make it possible for the processing to be effected primarily in the developing countries.

"4. In order to supplement the resources provided by the developing countries themselves in order to facilitate the execution of diversification programmes, the developed market economy countries and the appropriate international financial institutions, including regional development banks, should make available additional financial and technical assistance, and the socialist countries of Eastern Europe should either bilaterally or through United Nations bodies, contribute suitable material and technical assistance calculated to supplement the efforts of the developing countries and the international community as a whole.

"Specific funds for diversification should, wherever appropriate, be a feature of commodity arrangements.

"5. A policy of technical and industrial co-operation between the developed market economy countries, the socialist countries of Eastern Europe and the developing countries should be applied with a view to accelerating the industrialization and diversification process in the developing countries and strengthening the industrial sectors in those countries concerned with the processing of raw materials, especially their agricultural products; in accordance with recommendation A.III.2 of the first session of the Conference, the Governments of the developed market-economy countries, the socialist countries of Eastern Europe and the developing countries should urgently consider the possibility of concluding international agreements on the division of labour (branch agreements) guaranteeing the developing countries facilities for processing their raw materials (new paragraph).

"6. Former paragraph 5, unaltered.

"7. To ensure the success of diversification programmes:

"(a) Effective measures should be taken to achieve easier access to the markets of developed countries for products of interest to developing countries, particularly semi-processed and processed products;

"(b) The socialist countries of Eastern Europe should continue, by such ways and means as are appropriate to them, to increase their imports of the products in question;

"(c) Constant efforts should be made to stabilize prices at remunerative and equitable levels."

8. Former paragraph 7, unaltered.

Proposal 5

Main elements of commodity policy including international commodity arrangements and other techniques of commodity market stabilization

(Agenda item 10 (b))

Amendment to proposals in document TD/II/C.1/L.10 submitted by Jamaica

I. International action on commodities

B. Sugar

Replace the present text by the following:

"The Conference,

"Noting the convening of the United Nations Conference on Sugar on 17 April 1968,

"Invites the Secretary-General and Governments concerned to take all necessary steps to ensure its success with the objective of bringing into operation an international agreement by 1 January 1969."

Proposal 6

Main elements of commodity policy including international commodity arrangements and other techniques of commodity market stabilization

(Agenda item 10 (b))

Amendment to proposals in document TD/II/C.1/L.10 submitted by Brazil, Ceylon, Ethiopia, Indonesia, Ivory Coast, Pakistan, United Arab Republic, Uruguay, Venezuela.

I. International action on commodities

Section D, "natural rubber", should read as follows:

"The Conference,

"1. Unanimously adopts the report and endorses the conclusions of the UNCTAD Exploratory Meeting on Rubber contained in Document TD/39;

"2. Requests the International Rubber Study Group and its Consultative Committee of Natural and Synthetic Rubber Producers to keep a continuing watch on the natural and synthetic rubber situation and the extent to which the remedial measures referred to in TD/39 are effective, to formulate such further measures as they may judge appropriate and to report periodically to the appropriate bodies of UNCTAD;

"3. Charges the Permanent Group on Synthetics and Substitutes, in co-operation with the International Rubber Study Group and as appropriate other associated agencies for rubber, with the task of:

"(a) Hastening the implementation of the measures referred to in document TD/39;

"(b) Periodically reviewing the progress of implementation of the measures mentioned in sub-paragraph (a) above;

"(c) Ascertaining if the remedial measures instituted are effective;

"(d) Considering measures formulated under paragraph 2 above and such other measures for implementation as it may judge appropriate from time to time; and

"(e) In general keeping a watch on the natural rubber and synthetic rubber situation;

"4. Further requests the Trade and Development Board and/or the Committee on Commodities to review periodically the progress of implementation of these measures and the first of such reviews to be undertaken before January 1969."

*Proposal 7***Main elements of commodity policy including international commodity arrangements and other techniques of commodity market stabilization**

(Agenda item 10 (b))

*Amendment to proposals in document TD/II/C.1/L.10 submitted by Brazil, Ceylon, Ethiopia, Indonesia, Ivory Coast, Pakistan, United Arab Republic, Uruguay, Venezuela.***I. International action on Commodities****E. Hard fibres**

Replace the present text by the following:

*" The Conference,**" Noting with satisfaction:**" (a) The conclusion of the informal understanding on sisal and henequen reached between the major producing and consuming countries on an indicative price range and export quotas, at the last session of the Consultative Sub-Committee of the FAO Study Group on Hard Fibres,**" (b) The conclusion of the informal understanding on abaca reached between the major producing and consuming countries at the last session of the Consultative Sub-Committee of the FAO Study Group on Hard Fibres,**" Recognizing the value to both producers and consumers of formal long-term commodity arrangements,**" 1. Requests the Secretary-General of UNCTAD, in consultation with FAO and the Governments concerned, to follow closely and evaluate the operations of the informal understandings referred to above;**" 2. Further requests the Secretary-General of UNCTAD, in consultation with FAO and the Governments concerned, to take the necessary steps for the negotiation of a formal international agreement on hard fibres, on the basis of the informal arrangement, as early as possible;**" 3. Urges that all countries take effective measures for the protection of the indicative price range referred to above, particularly when releasing stock-pile surpluses of any of these hard fibres."**Proposal 8***Programme for the liberalization and expansion of trade in commodities of interest to developing countries**

(Agenda item 10 (c))

*Amendments to proposals in document TD/II/C.1/L.10 submitted by Hungary***II. Trade liberalization**

1. Delete section C, "Specific measures to guarantee access", paragraph 3.

2. Insert new section G, as follows:

*" G. Measures by socialist countries of Eastern Europe**" 1. Socialist countries of Eastern Europe should:**" (a) Refrain from taking any measures which would adversely affect the expansion of imports from the developing countries;**" (b) Take duly into consideration the trade needs of the developing countries in their long or short agreements or contracts, so that their imports of primary products and semi-processed products from the developing countries would steadily increase and would constitute a proportion of growing importance in their total imports;**" (c) Grant, in all matters affecting decisions relating to imports from developing countries and within the framework of their trade system, such favourable terms as would result in further expansion of imports from those countries.**" 2. Developing countries for their part should accord to the socialist countries of Eastern Europe conditions of trade not less favourable than those granted to the developed market economy countries."**Proposal 9***Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from export of primary commodities**

(Agenda item 10 (b) (iii))

Amendment to proposals in document TD/II/C.1/L.10 submitted by Brazil

In section C, "Price policy", sub-section "Operational guidelines", sub-paragraph (d), add:

*" Price policies should be applied in combination with appropriate measures that will maintain production trends that permit an effective balance between supply and demand."**Proposals 10***Main elements of commodity policy including international commodity arrangements and other techniques of commodity market stabilization**

(Agenda item 10 (b))

*Revised amendment * to proposals in document TD/II/C.1/L.10 submitted by Brazil, Ceylon, Ethiopia, Indonesia, Ivory Coast, Pakistan, United Arab Republic, Uruguay, Venezuela***I. International action on Commodities****E. Hard fibres**

Replace the present text by the following:

*" The Conference,**" Noting:**" (a) The conclusion of the informal understanding on sisal and henequen reached between the major producing and consuming countries on an indicative price range and export quotas, at the last session of the Consultative Sub-Committee of the FAO Study Group on Hard Fibres,**" (b) The conclusion of the informal understanding on abaca reached between the major producing and consuming countries on an indicative price range at the last session of the Consultative Committee of the FAO Study Group on Hard Fibres,**" Recognizing the value to both producers and consumers of stabilizing at remunerative price levels the markets for these commodities in the long-term,**" 1. Requests the Secretary-General of UNCTAD, in consultation with FAO and the Governments of the member States concerned, to follow closely and evaluate the operations of the informal understandings referred to above with regard to achieving stabilization at remunerative price levels of the markets of these commodities;**" 2. Further requests the Secretary-General of UNCTAD, in consultation with the FAO Study Group on Hard Fibres and the Governments concerned, to consider further steps for achieving the above objectives, including the possibility of a formal agreement;**" 3. Urges that Governments in any measures they take give due and effective consideration to the efforts of producers of sisal, henequen and abaca to improve market conditions through current informal arrangements, particularly in defending the indicative price ranges for these commodities as agreed upon during the session.*

* See proposal 7 above.

B. REPORT OF THE SECOND COMMITTEE

CONTENTS

	Paragraph	Page
<i>Introduction</i>	1-10	261
<i>Chapter I.</i> Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to developed countries	11-84	262
<i>Chapter II.</i> Programme for the liberalization and expansion of trade in manufactures and semi-manufactures of interest to the developing countries	85-114	270
<i>Chapter III.</i> Measures for the promotion, expansion and diversification of exports of manufactures and semi-manufactures from developing countries; co-operation with the United Nations Industrial Development Organization aimed at the establishment and expansion of export-oriented industries in developing countries; other forms of economic, industrial and technical co-operation	115-132	274

APPENDIX

Draft resolutions, decisions and declarations submitted to the Second Committee	276
1. Basic principles and procedures governing an agreement on the general system of preferences	276
2. A 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 — restrictive business practices	278
3. A programme for the liberalization and expansion of trade in manufactures and semi-manufactures (including processed and semi-processed primary products) of interest to the developing countries	279
4. A programme for export development for expansion and diversification of exports from developing countries — promotion of economic, technical and industrial co-operation	280

NOTE. The check list of documents prepared for and during the deliberations of the Second Committee appears in annex X to the report of the Conference.

Introduction

1. At its 37th (opening) plenary meeting on 1 February 1968, the second session of the United Nations Conference on Trade and Development established the Second Committee and referred to it for consideration and report item 11 of the agenda, in conformity with the recommendation made by the Trade and Development Board at its fifth session.¹ Item 11 of the agenda as adopted reads as follows:

Expansion and diversification of exports of manufactures and semi-manufactures of developing countries

(a) Review of recent developments and long-term trends in trade in manufactures and semi-manufactures in the light of recommendations and other provisions of the Final Act of the first session of the Conference.*

* The purpose of sub-item (a) is to provide delegations with general factual information about the subject matter of the item. No general debate is expected since such a debate will take place under item 8.

¹ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, para. 22 (c).

(b) Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to the developed countries.

(c) Programme for the liberalization and expansion of trade in manufactures and semi-manufactures of interest to developing countries.

(d) Measures for the promotion, expansion and diversification of exports of manufactures and semi-manufactures from developing countries; co-operation with the United Nations Industrial Development Organization aimed at the establishment and expansion of export-oriented industries in developing countries; other forms of economic, industrial and technical co-operation.

2. At its first meeting held on 2 February 1968, the Committee elected Mr. K. W. Ryan (Australia) as its Chairman. At its fifth meeting on 9 February 1969, it elected Mr. C. Musoke (Uganda) as Vice-Chairman and Mr. A. Mahmood (Pakistan) as Rapporteur.

3. The Committee held thirty-two meetings, in the course of which it considered item 11 and all its sub-items.²

² For an account of the Committee's deliberations see the summary records of the first to 32nd meetings (TD/II/C.2/SR.1-32).

4. At the Committee's second meeting on 5 February, the Chairman drew attention to a communication he had received from the President of the Conference concerning the allocation of item 11 to the Committee (TD/II/C.2/1). On the suggestion of the Chairman, it was agreed that the Committee would consider items 11 (b), (c) and (d) in that order. At the 11th meeting an informal contact group was established by the Chairman with the consent of the Committee to examine in greater detail the main elements of a scheme of preferences and to suggest a time-table for its implementation.

5. For the purpose of drafting the Committee's report to the Conference, the Rapporteur was assisted by a group of "friends" designated by the various groups of countries. The Committee considered the draft of its report to the Conference at its 29th to 32nd meetings and adopted its report unanimously at the 32nd meeting on 19 March.

6. The Committee being a Committee of the Whole, participation in its deliberations was open to representatives of all States members of UNCTAD.

7. The representative of the Permanent Secretariat of the General Treaty on Central American Economic Integration participated in the Committee's deliberations and addressed the Committee at its 13th meeting on 21 February.

8. The representative of the International Confederation of Free Trade Unions, a non-governmental organization admitted as an observer under rule 81 of the rules of procedure of the Conference, addressed the Committee on a number of occasions.

9. The representative of the International Federation of Christian Trade Unions, a non-governmental organization admitted as an observer under rule 81 of the rules of procedure, addressed the Committee on a number of occasions.

10. The representative of the World Federation of Trade Unions, a non-governmental organization admitted as an observer under rule 81 of the rules of procedure, addressed the Committee at its 21st meeting on 1 March.

Chapter I

Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to developed countries

(Agenda item 11 (b))

General debate

11. The developing countries reaffirmed the provisions of the Charter of Algiers (TD/38), which they considered should be adopted in order to implement a general system of preferences. They recalled the fact that the Charter of Algiers had been circulated to developed countries and that goodwill missions of the Group of 77 had been sent to developed countries to explain its provisions, well in advance of the second session of the Conference. Those countries recommended that concrete negotiations should take place at the second session which should lead to the conclusion of an agreement on a general system of tariff preferences on a non-discriminatory and non-reciprocal

basis. The agreement should provide for unrestricted and duty-free access to the markets of all developed countries for all manufactures and semi-manufactures, including processed and semi-processed agricultural and other primary products, from all developing countries.

12. The representatives of the developed market-economy countries drew attention to document TD/56 and Corr.1 which records the consensus agreed by the Council of the Organization for Economic Co-operation and Development (OECD) meeting at ministerial level on 30 November and 1 December 1967, with respect to certain broad principles which they considered should feature in a generalized system. The representatives of the developed market-economy countries emphasized the reference in the letter of transmittal from the Secretary-General of OECD to the need for considerably more work among the OECD countries before a detailed scheme could be elaborated. The representatives in question assured the developing countries that their Governments intended to press ahead with that work as rapidly as possible.

13. The representatives of the socialist countries of Eastern Europe reaffirmed the general recognition that the general system of preferences in the field of export of manufactures and semi-manufactures of developing countries should be introduced and operated in accordance with the relevant recommendations of the Final Act of the first session of the Conference.³ In this context a number of those representatives, together with some representatives of developing countries, referred to the importance of the provisions of General Principle Eight.⁴

14. The Committee agreed that a generalized, non-reciprocal and non-discriminatory system of preferences in favour of the developing countries, which would assist the developing countries to increase their export earnings and so contribute to the acceleration of their rates of economic growth, should be implemented as soon as possible.

15. The Committee decided that two questions should be examined in some detail, namely, the main elements of such a system and the time-table for future action leading to the early implementation of the scheme of preferences.

Product coverage

16. The representatives of the developing countries stressed that preferential treatment should be accorded to all manufactures and semi-manufactures, including processed and semi-processed agricultural and other primary products falling under chapters 1-99 of the Brussels Tariff Nomenclature (BTN), with a bare minimum of exceptions which would be determined on a case-by-case basis. The representatives of the developed market-economy countries expressed the view that all manufactures and semi-manufactures on the basis of chapters 25-99 of the BTN should be included in a scheme of preferences with a minimum of exceptions. They were prepared to consider the inclusion of processed products in chapters 1-24 of the

³ *Proceedings of the United Nations Conference on Trade and Development*, vol. I; *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

⁴ *Ibid.*, p. 20.

BTN on a case-by-case basis. The representatives of some socialist countries of Eastern Europe considered that preferences should be granted for all manufactures and semi-manufactures and supported the inclusion in the system of processed and semi-processed agricultural and other primary products.

17. The representatives of the developing countries stressed the importance of including from the outset all processed and semi-processed agricultural and other primary products falling within chapters 1-24 of the BTN if a general system of preferences was to be effective, in particular since such products at present accounted for an average of 20 per cent of the exports of manufactures and semi-manufactures of all developing countries, and in particular if the least advanced developing countries were to benefit from a preferential scheme. They considered that the "case-by-case basis" for dealing with such products, as advocated by the OECD countries (see TD/56 and Corr.1) should only be used to deal with exceptions. The *ab initio* exception of such products, they stressed, would mean that "broadly equivalent opportunities" would not be accorded "in all developed countries to all developing countries" — the principle as formulated in the OECD report.

18. The representatives of some developed market-economy countries stated that the wording in the OECD report in dealing with "other products on a case-by-case basis" was not intended to preclude *a priori* processed and semi-processed agricultural and other primary products in chapters 1-24 of the BTN from being included in a scheme of preferences. It was recognized by several of these representatives that to ensure the effectiveness of preferences, processed and semi-processed agricultural and other primary products might need to be included. The representatives of many developed market-economy countries emphasized that since the decision to support the principle of granting preferences by a number of developed market-economy countries had only been taken a few months earlier, it had not been possible for the developed market-economy countries to consider the question of processed and semi-processed products in chapters 1-24 in detail.

19. The representatives of some other developed market-economy countries indicated that it was necessary for processed and semi-processed agricultural products to be included only on a case-by-case basis. The reasons cited were first, that difficult social, political and economic factors would be involved; secondly, that the total demand for food-stuffs in the developed countries was extremely inelastic; thirdly, that such a procedure would expedite the earlier introduction of a general system of preferences; and fourthly, that the inclusion of such products might complicate the solution of the problem of equitable burden-sharing of concessions among the developed market-economy donor countries. The representative of one developed market-economy country expressed the view that the crucial matter was the liberalization of trade in processed and semi-processed primary products and that where the developing countries were already competitive, the granting of preferences was not the appropriate solution. The representatives of some developed market-economy countries said that decisions on those questions were

dependent on other elements in the scheme, e.g. depth of cuts, safeguard procedures and the progressive substitution of existing preferences by generalized preferences.

Ab initio exceptions and extent of the preferential duty reductions

20. It was agreed that *ab initio* exceptions from the preferential scheme should be kept to a bare minimum and that developed countries should not aim at a list of exceptions common to all of them.

21. The representatives of the developing countries expressed concern lest the list of exceptions be extensive for various reasons, namely:

(a) The definition to be used by the developed countries of what were manufactured and semi-manufactured products, i.e. whether it included processed and semi-processed agricultural and other primary products;

(b) The *ab initio* exceptions of products affecting industries considered to be sensitive, in particular if the products subject to quantitative restrictions were automatically excluded;

(c) The desire to exclude products of export interest to the developing countries which enter into world trade in significant quantities on the ground that these were considered to be already competitive;

(d) The snowballing effect of exceptions arising from the desire to ensure equitable burden-sharing among the developed countries; and

(e) The pressure of third developed country interests.

In addition to the above, there could also be the problems arising from the application of the rules of origin. Furthermore, they stressed that less than duty-free treatment would considerably reduce the effectiveness of the scheme and could result in a large number of partial exclusions due to the snowballing effect of the burden-sharing principle. They suggested that *a posteriori* protection by use of safeguards was preferable to *a priori* protection through a system of exclusions.

22. Representatives of the developing countries also stated that *a priori* exceptions should be on the basis of products narrowly defined, be provisional and be subject to frequent reviews with a view to their inclusion in a scheme of preferences. Furthermore, they considered exceptions could be made only on the ground of overriding national interest, that they should in no case be on the grounds of the mere competitiveness of their products, and that they should be the subject of prior international consultation. In respect of so-called "sensitive products", the developing countries considered that it was necessary for developed countries to undertake adjustment assistance measures to enable products not to be excluded from the preferential scheme. The representatives of developing countries considered that products originating in the least advanced developing countries should not be put on the exceptions lists.

23. The representatives of some developed market-economy countries considered that it would be possible to keep the exclusions to a very short list since, in general, developed countries would find it necessary to exclude only a limited number of products, in which the devel-

oping countries were already competitive, which might or might not be identical in all developed countries. Automatically within the national administrations of the developed countries, there would be pressure to keep the list of exceptions small in order to avoid setting undesirable precedents; likewise there would be pressure from other developed countries to do so and, furthermore, there would be similar pressure from the developing countries to limit the number of exceptions. The representatives of some developed market-economy countries considered that there should be stringent and severe criteria for placing products on exception lists.

24. The representatives of a number of developed market-economy countries considered that while duty-free treatment might seem to be of greatest value to the developing countries, it was important to note that in order that the list of exceptions might be kept to a minimum, less than duty-free entry or other limiting devices would be better than excluding the items entirely. It was also stated by the representatives of some of those countries that products subject to quantitative restrictions should be excluded on the grounds that the granting of preferences for such products could hamper the removal of quantitative restrictions on them.

25. The representative of one developed market-economy country stated that the granting of duty-free access for all products from developing countries was a step of such magnitude that it would be necessary to undertake, in the first instance, careful studies at the national level, since in the case of his country, tariffs were by and large the only device used for protective purposes.

26. The representatives of the developing countries considered that to deny preferential treatment to products merely on the ground that they were subject to quantitative restrictions amounted to double protection and was therefore unjustified.

27. The representatives of the developing countries considered that even when duty-free entry was granted for their manufactures and semi-manufactures, including processed and semi-processed agricultural products, the home-produced goods in the developed countries would still have a competitive advantage over imports from developing countries. They stressed the disadvantages faced by developing countries in the matter of freight rates, consumer preferences in the developed countries, publicity, etc., and pointed out that duty-free treatment would provide relief in respect of only one other disadvantage.

Safeguards and adjustment measures

28. There was general agreement that any system of preferences would have to include a safeguard mechanism.

29. The representatives of the developed market-economy countries referred to the alternative arrangements of a tariff-quota-cum-adjustment procedure and of purely escape-clause action. It was pointed out that it had not been possible for these countries to agree upon one method rather than the other. It was mentioned by some of those representatives, however, that the application of a tariff quota would pose several conceptual and administrative difficulties.

30. The representatives of several developed market-economy countries also drew attention to the difficulties of formulating quantifiable criteria to provide a basis for escape-clause action because of the many problems of definition, availability of data and interpretation which had been clearly brought out in the UNCTAD secretariat report on objective criteria in the application of a safeguard clause (TD/19/Supp. 1). They thought that it was extremely difficult, if not impossible, to develop and apply such objective criteria. However, they believed that escape-clause action was bound to be invoked sparingly in a system of preferences. There were several factors which would seem to militate against wholesale resort to the escape clause. There would be resistance at the national level to set too many illiberal precedents for other claimants; there would be the tacit understanding among the developed market-economy countries not to upset the balance of equitable burden-sharing and, finally, there would be the pressure from the beneficiary developing countries. It was mentioned by some representatives of the developed market-economy countries that resort to the escape clause should be subject to international scrutiny, possibly on the lines of the procedure set out in article XIX of the General Agreement on Tariffs and Trade.⁵

31. The representatives of some developed market-economy countries also pointed out that the escape-clause procedure involved three kinds of safeguard action, namely:

- (a) To protect the importing country;
- (b) To protect third developed country suppliers;
- (c) To protect the scheme from over-competitive developing country suppliers.

32. The representatives of the developing countries reiterated their support for unrestricted duty-free entry for their products and, in consequence, expressed their support for an escape-clause system. They stated that on the basis of internationally agreed criteria, a developed country might, after prior international consultation and approval, temporarily invoke the escape clause on specific products of developing countries in case imports from these countries under the preferential régime were held directly responsible for causing serious injury to its domestic industry. They stressed that it was important to safeguard the benefits which would accrue to them under the system of preferences and, in particular, the position of those countries which would thereby have been induced to install and/or increase their export capacity. They therefore emphasized the importance of agreeing in advance on objective criteria for invoking the escape clause and drew attention in that respect to the suggestions contained in paragraph 48 of document TD/19/Supp. 1. Escape-clause action could be used when serious injury to the domestic industry on a national scale resulted from an actual increase in the level of imports, causally attributable to the preferred imports. Furthermore, the injury should be judged on the basis of meaningful segregation of products. The escape clause should not be applied abruptly in order to avoid disloca-

⁵ See GATT, *Basic Instruments and Selected Documents*, vol. III.

tion of industry and labour in the developing countries. The remedial action taken in developed countries should be temporary and designed to make it possible for domestic industries to adjust to increased imports from the developing countries. Finally, they stressed that the application of the escape clause should be subject to international consultation, approval and review.

33. While acknowledging the difficulty of quantification, the developing countries stated that there was need to provide reasonable assurance of continuity of preferential treatment if the scheme were to secure tangible benefits to the developing countries. The representatives of some developing countries believed that examination should be made of the notional concept that there could be certain magnitudes or proportions of production, consumption or of total imports below which no escape action should be taken by the developed countries.

34. It was suggested by the representatives of developing countries that since the developed countries imported only a small proportion of their total imports of manufactures and semi-manufactures from the developing countries and there was a limited risk of dislocation from those imports, a programme of adjustment assistance could easily be adopted in all donor countries to deal with difficulties generated by increased imports. It was stated that the developed market-economy countries' claim of the likelihood of the sparing use of the escape clause would be more convincing if the developed countries also embarked upon a programme of anticipatory adjustment assistance to domestic industry facing increased import competition.

35. A suggestion was made that an independent group of experts be charged with the task of formulating in greater detail the conditions that would justify the application of safeguards.

36. In connexion with the discussions on exceptions and safeguards, the representatives of some developed market-economy countries stressed the importance of equitable burden-sharing in a generalized and non-reciprocal system of preferences in favour of the developing countries. It was stated that the concept of burden-sharing related to the liabilities for industries in importing countries arising from increased opportunities for imports from developing countries and for export industries of the developed third countries arising from new relative disadvantages in other developed markets. It was emphasized that a system should be worked out and implemented in such a way that those burdens should be roughly equivalent among the participating developed countries.

37. The developing countries expressed concern lest too much emphasis on the equitable burden-sharing principle might impede an early implementation of a scheme of preferences and constitute a factor which would tend to limit seriously the benefit of preferences, by its snowballing effects.

38. The representatives of some developed market-economy countries recognized the problem of snowballing action in respect of adherence to the principle of equitable burden-sharing, but stressed that it was not their intention to undertake all the work involved in setting up a system

of preferences, and then to vitiate the whole purpose of the system by safeguard action. They felt that the concern of the developing countries in that regard was exaggerated.

Duration

39. The representatives of some developed market-economy countries suggested that the initial lifetime of the scheme of preferences should be ten years with a major review near the end of that period to determine whether the scheme should be continued, modified or abolished. The representatives of some developed market-economy countries stated that the scheme should last as long as was necessary to achieve its objectives and, in particular, to facilitate investments in, and a satisfactory level of exports from, the developing countries. It was important to have periodic reviews of the scheme so as to evaluate the results and to make whatever changes were necessary. Attention was drawn to the fact that the OECD report recognized that account would have to be taken, *inter alia*, of the fact that the developing countries were at different stages of development and consequently the effective duration of the benefits gained over the period of the scheme would have varied. In that connexion the representative of one developed market-economy country suggested that an examination should be made of the feasibility of having a uniform starting date and of the provision of a longer period for the least advanced developing countries. A uniform starting date would seem to be desirable and administratively easier. It was stressed by the representatives of the developed market-economy countries that the preferential system should not preclude the reduction of tariffs on a most-favoured-nation basis. Some of those representatives added that the ultimate aim should rather be to consolidate the tariff concessions on that basis through multilateral negotiations.

40. The representatives of the developing countries considered that the question of the duration of preferences should not be considered in terms of rigid time-limits, but on a pragmatic basis with periodic reviews to assess the extent to which the scheme had contributed to the achievement of its objectives. In that connexion they proposed an initial period of twenty years. They submitted that the period of duration should be sufficiently long to enable all the developing countries to benefit from the scheme of general preferences and for it to be worthwhile as an incentive to new investments. They stressed that the interests of the least advanced developing countries should be given special attention in the periodic reviews of the scheme with a view to enabling them to share equitably in the benefits of the scheme. They also submitted that the scheme should not be abruptly discontinued.

41. The representatives of the developing countries made reference to the need to examine the starting date of the general scheme of preferences and emphasized, in that connexion, that the scheme should be put into effect at an early date well before the Kennedy Round reductions were fully put into force. In particular, they stressed the need to establish a post-Conference timetable of action to deal with the technicalities of the scheme, so that its objectives would be translated into a pro-

gramme of action as soon as possible. The representatives of some developing countries considered that the scheme should be put into force on a single agreed date to avoid discrimination among the developing countries.

Special measures for the least advanced developing countries

42. It was agreed that the aim should be that the least advanced developing countries should be enabled to benefit from a generalized system of preferences on an equitable basis with other developing countries. In the periodic review of the operation of the scheme, an assessment should be made of the extent to which the least advanced developing countries had benefited from the system.

43. The representatives of some developed market-economy and developing countries stated that it was important to identify the least advanced developing countries. The representatives of those developed market-economy countries pointed out that the basic concept of the scheme would differ according to whether the least advanced developing countries constituted a small number of countries or all the developing countries except a small number. The representatives of some developing countries pointed out that such identification should be carried out at the level of each region.

44. The representatives of the developing countries stressed that the special measures for least advanced developing countries provided for in the Charter of Algiers (TD/38, part two, B.1 (f), (h) and (j))⁶ should be incorporated in a general system of preferences. They stressed, in particular, that the system should be flexible in respect of the duration of preferences and long enough to enable the least advanced developing countries to invest in export-oriented industries and thereby to diversify and expand their exports. Considerable emphasis was placed on the inclusion of all processed and semi-processed agricultural and other primary products in the scheme, on the grounds that the exclusion of such products would mean that the least advanced developing countries would draw no immediate benefits from the system. They stressed that the processing industries were the logical basis for industrialization in those countries.

⁶ The text reads as follows:

"(f) The preferential system must be conceived in such a way as to make it possible for the least advanced among developing countries to share in its benefits. Accordingly any time limits of the system should be flexible so that countries at present in very incipient stages of development will also be able to reap its advantages. Escape-clause actions limiting or excluding particular exports should not apply to the less-competitive products from less advanced countries. Specific commitments should be taken for technical and financial assistance in the establishment of export-oriented industries in least advanced countries, with a view to markets both in the developed world and in other developing countries;

"(h) In order to achieve the objective of the general preferential system, the arrangement should last long enough to enable all developing countries to benefit from it. Initially the arrangement should last for twenty years and should be reviewed towards the end of this initial period. In any event, the preferential treatment should not thereafter be abruptly terminated;

"(j) Suitable machinery within UNCTAD should be established to supervise and ensure the effective implementation of a general system of preferences in accordance with the foregoing paragraphs."

They also stressed that the escape-clause action should not apply to the less-competitive products of least advanced developing countries, and urged that permanent machinery be set up to review periodically the effectiveness of the system in respect of the least advanced developing countries. The representatives of a number of developing countries drew attention to the special measures suggested in the report by the Secretary-General of UNCTAD entitled *Towards a Global Strategy of Development* (TD/3/Rev.1, chapter II.7)⁷ and in two other secretariat reports on the subject of the least advanced among the developing countries (TD/17 and Corr.1, section II.B and TD/17/Supp. 1). The representatives of some developing countries proposed that those countries should give preferential treatment to the least advanced developing countries.

45. Additional measures proposed by the representatives of developing countries were that the developed countries should undertake specific commitments to increase their assistance, financial, technical and commercial in the field of export promotion to the least advanced developing countries and, in particular, to assist in the establishment of export-oriented industries. Likewise, the developed countries should increase the amount of investment in those countries, and the international financial institutions should make available additional financial resources on a more flexible basis to both public and private sectors. The representative of one developing country expressed himself against financial assistance being under the auspices of international financial institutions.

46. The representatives of the developed market-economy countries pointed out that the lack of a special heading in the OECD report (TD/56 and Corr.1) on the least advanced developing countries did not mean that there was no scope for special benefits for them under the scheme. Many of them said that in the case-by-case examination of processed and semi-processed primary products they would bear in mind the special interests of the least advanced developing countries. They also indicated that in respect of the duration of preferences for those countries their position was not rigid, and that the special position of these countries would be taken into account in deciding upon exceptions and in the application of safeguard measures. The representatives of some developed market-economy countries said it was important that some developing countries should create a more favourable climate for the promotion of private foreign investment.

Existing preferences

47. The representatives of developing countries emphasized that there was agreement that the general system of preferences should provide at least equivalent advantages to those developing countries enjoying preferences in certain developed countries. It was acknowledged also that, as long as the details of the general scheme were not known, it would not be possible to assess to what extent the generalized system would provide such advantages.

⁷ United Nations publication, Sales No.: E.68.II.D.6.

48. The representatives of a number of developed market-economy countries stated that the general system of preferences should gradually absorb the existing preferences. In that connexion, the representative of one of those countries stated that there were two choices open to his country: one, a global generalized non-discriminatory system in which all developing countries would receive preferences in all developed countries and the other, specialized regional preferential arrangements. The preference of his Government was clearly for the former and it would make a major effort to facilitate the absorption of the existing preferences into a generalized system by maximizing the scope of the generalized system in relation to product coverage, and depth of tariff cuts, by making limited use of escape clauses and by other means.

49. The representative of one developed market-economy country now granting preferences pointed to the fact that the tariff advantages provided under a generalized scheme were unlikely to correspond to the advantages at present given in its markets to certain developing countries. Furthermore, he assumed that the assessment of developing countries was that the new advantages in other developed country markets would compensate them for sharing their existing advantages with third developing country suppliers.

50. The representatives of the developing countries expressed their support for the relevant provisions in the Charter of Algiers. In that connexion, the representatives of some developing countries at present enjoying preferences stressed the importance of being fully compensated for sharing their preferences, and reiterated in particular the importance of having a broad product coverage, including processed and semi-processed primary products. Some of these representatives pointed out that in view of the limited nature of their domestic markets and the less-competitive position of their exports, it was unlikely that under a generalized system they would automatically receive at least equivalent advantages, and said that prior provisions should be made to compensate them for any losses that might be sustained. They urged that detailed studies on a product-by-product basis be put in hand to evaluate the position of the developing countries concerned and to determine the international action required to provide equivalent advantages. Attention was drawn in this connexion to the secretariat reports on special measures to be taken in favour of the least developed among the developing countries (TD/17 and Corr.1 and TD/17/Supp. 1).

51. The representatives of several developing countries stated that since it would be impossible beforehand to establish whether at least equivalent advantages were afforded under the new scheme, it would be necessary to maintain the existing preferences during a transitional period and later to consider the question of suspending the existing preferences in the light of the operation of the generalized system.

52. The representatives of developing countries said that the body which would be charged with the implementation of the general system of preferences should, at the end of five years from the application of the general system of preferences, examine and review the situation of developing countries now enjoying special preferences,

with a view to accelerating the process of merging the less advantageous system with the more advantageous system without adversely affecting the global export opportunities of any developing country.

Reverse preferences

53. The representatives of a number of developed market-economy countries stated that a procedure should be adopted within the system of preferences for phasing out the reverse preferences granted by some developing to some developed countries. They gave several reasons for that view and drew attention, in particular, to the domestic difficulties they would encounter in granting preferences to those developing countries which did not accord them equal treatment with other developed countries.

54. The representatives of some socialist countries of Eastern Europe urged that the question of reverse preferences should be resolved in accordance with General Principle Eight adopted at the first session of the Conference.

55. The representative of one developed market-economy country maintaining a reciprocal preferential arrangement with a number of developing countries, stated that the issue of reverse preferences was objectively marginal and that it would be best resolved among the developed market-economy countries. In that connexion, another representative pointed to the important role that established trade links played in the pattern of exports and imports of the developing countries.

56. With regard to reverse preferences having no contractual basis, the representatives of some developed market-economy countries stated that it would be for the developing countries granting those preferences to decide on the issue once precise details of a general preferential system were known. One of those representatives pointed out that reverse preferences entered into on a contractual basis were a matter for bilateral discussion initially.

57. The representatives of some developing countries stressed that reverse preferences were a matter for the developed countries to decide upon. One of them mentioned that reverse preferences under the Yaoundé Convention⁸ were linked with financial and technical assistance provisions. On the other hand, the representatives of a number of developing countries stated that reverse preferences should be abolished, in particular since to a large extent they concerned the least advanced developing countries and since they placed economic burdens upon such countries.

Institutional arrangements

58. The representatives of the developing countries supported the position taken in the Charter of Algiers that suitable machinery within UNCTAD should be established to supervise and ensure the effective imple-

⁸ Convention of Association between the European Economic Community and the African and Malagasy States associated with that Community, signed at Yaoundé, 23 July 1963.

mentation of the scheme. In this context it was pointed out that the general system of preferences would bring about the application of new commercial policies which warranted the creation of such machinery. That machinery should be established within UNCTAD since (a) the latter was striving for the creation of a new international trade and development policy; (b) its membership was universal; (c) it dealt with the wider issues of international trade and development, including the question of financial and technical aid; and (d) the adoption of the principle of non-reciprocity in favour of the developing countries had been accepted within the context of UNCTAD's work.

59. The representatives of some developed market-economy countries stated that it was not necessary to create new institutions to handle the matter and stressed the need to utilize the existing facilities available within UNCTAD. In that connexion, they stated that the Conference itself, which met every three years, was an eminently suitable forum for a major review of the application of the scheme, while interim reviews could be carried out in its Trade and Development Board and its Committee on Manufactures. Since those two bodies were accessible to all UNCTAD members, no country interested in preferences would be debarred from taking part in such discussions. They also stated that there would have to be periodic reviews under the terms of the General Agreement on Tariffs and Trade (GATT) waiver. Some co-operation between UNCTAD and GATT in that field would be desirable.

60. The representatives of several developing countries considered that the Trade and Development Board and the Committee on Manufactures would not provide the most effective machinery for the purpose. They stated that the functions of the special machinery within UNCTAD should include, *inter alia*, discussions on continuing aspects of implementation of the scheme; the supervision of its operations; and periodic reviews of the lists of exceptions, of safeguard action taken, of special provisions for the least advanced developing countries, of existing preferences and of rules of origin. In that connexion, several of the representatives stated that the new machinery should be of a juridical and administrative nature in order to control the operation of the scheme, and not just a deliberative body, such as a committee which can only take note of suggestions made. In respect of the negotiations to take place between the end of the second session of the Conference and the time when the scheme was to be put into effect, the representatives of the developing countries considered these should be carried out within UNCTAD by a special committee on preferences in accordance with an agreed time-table, to ensure continuous contact and consultation between the developed countries and the developing countries. It was also stated by some representatives of developing countries that after the GATT waiver had been approved, the mechanism set up within UNCTAD should work in co-operation with GATT.

61. The representatives of the socialist countries of Eastern Europe suggested that UNCTAD machinery should be utilized in the implementation of the scheme.

Rules of origin

62. The representatives of many developed market-economy countries said that to achieve the objectives of the scheme, the rules of origin should require that products must undergo a substantial degree of transformation in the developing countries and that the goods in question should not merely be repacked or just pass in transit through the developing countries. They said that special consideration should be given to goods which had undergone the process of transformation in more than one developing country.

63. Many representatives emphasized that the rules of origin should be uniform for all developed countries.

64. The representatives of the developing countries stated (a) that for the purpose of rules of origin all developing countries should be treated as one for determining the origin of goods; (b) that the rules of origin at present applied largely related to trade between developed countries and, therefore, were not strictly relevant to the trade between developed and developing countries, and in consequence more liberal and flexible rules were required; and (c) that a low percentage of value-added content or of processing should be specified since in many developing countries industrialization was only in the early stages.

65. The suggestion was made by several representatives that the elaboration of the rules of origin should be entrusted to a group of experts and that they should have as their terms of reference the drafting of simple and clear rules which were strict enough to avoid abuse. In that connexion, the study being carried out by the UNCTAD secretariat was noted and it was suggested that the ideas expressed in the debate should be taken into account. The representatives of some countries suggested that that study could be used as a basis for the work of the experts. Attention was also drawn to the rules applied in the existing preferential schemes and those applied in the regional trading arrangements.

Donor countries

66. It was generally agreed that it was essential that there should be the largest possible participation of developed countries in a generalized system of preferences in order to maximize the benefits for the developing countries. The representatives of a few developed countries stated, however, that in view of the specific structures of their economies, they would be unable to contribute to the same extent as the more industrialized countries.

67. The representatives of a number of developed market-economy countries members of the OECD stressed the need for equitable burden-sharing and pointed to the necessity of consultation among themselves to determine their respective efforts in granting and maintaining preferences.

68. The representatives of developing countries gave their support to the provision in the Charter of Algiers to the effect that all developed countries should grant preferences.

Beneficiary countries

69. The representatives of developing countries supported the relevant provision in the Charter of Algiers that all developing countries should be the beneficiaries of the general system of preferences. The representatives of developing countries stated that the status of developing beneficiary countries should apply to all countries belonging to the Group of 77. Several of those representatives stated that the initial list of developing countries should be submitted by the Group of 77.

70. The representatives of some countries included in list B in the annex to General Assembly resolution 1995 (XIX) of 30 December 1964 considered that they were developing countries and therefore eligible to share in the benefits of any preferential systems.

71. Representatives of the developed market-economy countries expressed their preference in favour of "self-election" by which preferential treatment should be given to the exports of any country, territory or area claiming developing status. However, they reserved the right for each of them to decline preferential treatment to any particular country claiming developing status for reasons which they held to be compelling, other than those based on competitive considerations.

72. The representatives of a number of socialist countries of Eastern Europe supported the view of some developing countries that preferential treatment should be non-discriminatory and should be applied to all developing countries irrespective of their economic or social systems.

Action by the developing countries

73. The representatives of some developed market-economy countries referred to the suggestions for parallel action by the developing countries along the lines of that contained in the OECD report (TD/56 and Corr.1), and in particular referred to the measures relating to regional integration and trade expansion among developing countries and the promotion of private investment. They stressed, however, that the adoption of such parallel action would not be a pre-condition for their participation in the general scheme of preferences.

74. The representatives of a number of developing countries emphasized their firm belief that the primary responsibility for their economic development rested with themselves and signified their readiness to promote mutual trade and economic relations. They emphasized, however, that the establishment of a general scheme should not be linked with efforts by developing countries to expand their mutual trade.

Action by countries with centrally-planned economies

75. The representatives of several developed market-economy countries emphasized the importance of parallel action by the socialist countries of Eastern Europe to promote the expansion of exports from the developing countries. That parallel action should provide equivalent increased opportunities for the exports of the developing countries to that provided by the developed market-

economies through the scheme of preferences. To that effect representatives of some developed market-economy countries suggested that the following objectives should be pursued:

(a) The need for diversification in the source of their imports from developing countries;

(b) The reduction of the difference between the import price and the domestic selling price of goods from developing countries;

(c) The inclusion of specific targets for imports from developing countries in their economic plans.

76. Those representatives welcomed the announcement by the representatives of two socialist countries of Eastern Europe that they would be in a position to grant tariff preferences within the framework of a generalized scheme of preferences.

77. The representatives of several developing countries welcomed the measures undertaken so far by the socialist countries of Eastern Europe to increase imports from developing countries, but stressed the need for these countries to implement the relevant recommendations contained in the Charter of Algiers. The representative of one developing country stressed in particular that the margin between the import price and the domestic selling price of the goods imported from the developing countries should be reduced.

78. The representatives of several socialist countries of Eastern Europe emphasized their full compliance with the recommendations of the first session of the Conference which applied to them, and specifically with recommendation A.III.7.⁹ They said that the imports of manufactures and semi-manufactures from the developing countries were the most dynamic factor in world trade as a result of measures they had taken jointly with developing countries in implementing General Principle Eight. They also stressed that they had been undertaking a series of effective measures consistent with their economic systems for the further expansion of their trade with the developing countries but stressed that such expansion depended on corresponding action being taken by the developing countries to accord to the socialist countries trading conditions not less favourable than those accorded to the developed market-economy countries. They said that fulfilment of recommendation A.III.7, which already embodied elements of a preferential treatment, was in itself a real guarantee for successful expansion of trade of socialist countries with the developing countries and provided better trading opportunities for the latter than those still contemplated by the developed market-economy countries in connexion with the scheme of preferences.

79. Some of those representatives stated by way of explanation that internal prices did not affect the volume of their trade from the developing countries. They stressed that it was their intention that the imports from developing countries would continue to increase and to diversify.

⁹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 40 and 41.

80. The representatives of some socialist countries of Eastern Europe expressed their readiness to grant tariff preferences in view of the important role which tariffs would now play in the light of the economic reforms being introduced. On the other hand, they stressed that under the new circumstances they would not be able as before to undertake quantitative commitments of imports. One of them stated that the degree to which his country could contribute was limited by the relatively low level of industrialization vis-à-vis other developed countries. The representative of another socialist country of Eastern Europe stressed that attention should be paid in any system of generalized preferences to the problem of countries which, although not technically developing countries, were in a weaker competitive position than the advanced industrialized countries.

81. The representative of another socialist country of Eastern Europe pointed out that his country was making efforts to industrialize and stated that it would, as in the past, make every endeavour to promote its imports of manufacture and semi-manufacture from developing countries.

82. An informal Contact Group of the Chairman was established, with the consent of the Committee, to examine in greater detail the main elements of a scheme of preferences and to suggest a time table for its implementation.¹⁰ The Group considered the relevant positions in the Charter of Algiers and in the OECD report. The Group was not able to take these matters any further than the Committee.

83. With a view to accommodating to the extent possible the views expressed by developed countries in the Committee and the Contact Group, and to presenting a negotiating paper, the delegations of Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Vietnam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia tabled at the 26th meeting of the Committee a draft decision entitled "Basic principles and procedures covering an agreement on the general system of preferences" (TD/II/C.2/L.5). The draft is reproduced in the appendix to this report. The Committee agreed to refer this document to the Contact Group. No agreement was reached in the Group.

¹⁰ The Contact Group used as a basis for its work the summings-up of the Chairman on each of the main elements which are reproduced fully in the summary records of the Committee (TD/II/C.2/SR.7, 9, 11, 13, 15, 18 and 23).

84. In view of the lack of agreement on this document in the Contact Group and the Committee, the representatives of developing countries proposed that the meeting of the Contact Group be ended and that consideration of this document be elevated to the level of heads of delegations. The Committee agreed to refer the draft to the plenary for further consideration.

Chapter II

Programme for the liberalization and expansion of trade in manufactures and semi-manufactures of interest to the developing countries

(Agenda item 11 (c))

85. The Chairman asked the Committee to concentrate its efforts largely on the question of non-tariff barriers, in particular since the question of tariff barriers would to a large extent be solved if a general scheme of preferences were introduced.

86. Discussion covered (a) the problems of tariff barriers in the developed countries with particular reference to the results which the Kennedy Round negotiations had on the exports of manufactures and semi-manufactures of developing countries; (b) the problems of non-tariff barriers, in particular of quantitative import restrictions applied in developed countries; and (c) a programme for the liberalization and expansion of trade of developing countries and related institutional arrangements.

Tariff barriers

87. Representatives of developing countries expressed disappointment with the results of the Kennedy Round. They stated that the concessions agreed upon were of far greater value to developed than to developing countries and that the major problems of access for the developing countries still remained unresolved. In this connexion they drew attention to the evaluation of the Kennedy Round results carried out by UNCTAD and GATT, which in their view brought out clearly that the degree of "effective" tariff protection in developed countries against the imports originating from developing countries continued to be very high and that to a large extent the tariffs on products of export interest to developing countries continued to represent the peaks in the tariff structure of developed countries.

88. Representatives of developing countries supported the recommendations of the Charter of Algiers to the effect that the developed countries should implement immediately, without phasing, in favour of developing countries, the concessions agreed on during the Kennedy Round negotiations and that these concessions should be extended on a non-reciprocal basis at the time of implementation to all developing countries whether or not these countries were members of GATT. They stated that although most developed countries had accepted advance implementation in principle, the response so far had been limited, and they therefore urged that all developed countries should declare at the Conference their readiness to carry out the proposed advance implementation. The

representatives of some developing countries stated that the advance implementation of concessions should be carried out without having adverse repercussions on the exports of developing countries currently enjoying preferences.

89. The representatives of developing countries supported the recommendation in the Charter of Algiers that, pending the introduction of a general scheme of preference, the developed countries should take appropriate action to carry out reclassifications of their tariff nomenclatures to facilitate the granting of duty-free entry on products exported by developing countries. Attention was drawn to the studies being carried out by UNCTAD in collaboration with the Customs Co-operation Council which demonstrated that tariff reclassification could facilitate the expansion of exports of developing countries.

90. Representatives of the developed market-economy countries stated that in their view the results of the Kennedy Round were of substantial benefit to developing countries. The representative of one developed market-economy country stated that the benefits for the developing countries were not as pronounced as for the industrialized countries. Several of these representatives cited figures on the value of trade of developing countries regarding tariff concessions agreed upon in the Kennedy Round which would benefit the developing countries and drew attention to the depth of tariff cuts. The representatives of several developed market-economy countries stressed that the tariff reductions would apply to all developing countries with which these countries had trade relations on a most-favoured-nation basis, whether or not members of GATT.

91. The representatives of many developed market-economy countries provided information on the advance implementation, without phasing, in part or in full, of the Kennedy Round reductions of products of export interest to developing countries. One representative stated that his country, in considering the question of advance implementation, had to take into account the interests of present preferred developing country suppliers. That explained the reason why his country had made the proviso that when tabling its advance implementation list it reserved the right to withdraw items if the list tabled by other countries were not broadly similar in scope.

92. On the question of tariff reclassification, the representatives of some developed market-economy countries stated that action had already been taken or was under way in respect of certain hand-woven cotton textiles and they would in a constructive spirit investigate further possibilities on the basis of suggestions made by developing countries. One of those representatives said that since the tariff reduction would require new legislative action, the agreement on a generalized system of preferences would be likely to yield quicker results than product-by-product tariff reclassification.

93. Representatives of a number of socialist countries of Eastern Europe shared the opinion of developing countries in respect of the negative results of the Kennedy Round and stressed that in their view measures taken by the developed market-economy countries were directed to the latter's own benefit and thus only aggravated the hardships of the developing countries.

94. The representatives of some socialist countries of Eastern Europe pointed out that the activities of the economic groupings of developed market-economy countries had resulted in a lowering of tariffs among themselves but they had maintained full tariff protection in respect of third countries, including developing countries and socialist countries of Eastern Europe. One of those groupings had even raised the level of common tariff protection as compared with previous national tariffs. They stressed that liberalization must be universal and, instead of being restricted to the closed groups, it should be extended to cover all trade, both with the developing countries and with the socialist countries.

95. The representative of one regional grouping among the developed market-economy countries stated that the level of the common tariff protection was not higher but, on the contrary, much lower than the previous national tariffs. The representative of a member country on another regional grouping of developed market-economy countries stated that there was no common external tariff and therefore the question of higher level of protection due to the establishment of the regional grouping did not arise. Some of these representatives further pointed out that the question of regional integration was being handled under item 9 (d) (Impact of the regional economic groupings of the developed countries on international trade including the trade of the developing countries) of the Conference agenda and drew attention to the statements made by the leaders of their delegations on this subject.

Non-tariff barriers

96. The representatives of developing countries supported the recommendations in the Charter of Algiers relating to the liberalization of non-tariff barriers in the trade of manufactures and semi-manufactures, including processed and semi-processed primary products of export interest to the developing countries. They considered that such liberalization was closely linked with tariff preferences, since a general system of preferences in favour of developing countries would be seriously jeopardized if existing non-tariff barriers were maintained, or new ones introduced which would cancel out the benefits of the preferential system. They pointed out that the Kennedy Round negotiations had registered virtually no progress in that field. They expressed their deep concern at the continued use, mostly on a discriminatory basis, by a number of developed countries, of quantitative restrictions in their trade with the developing countries. Those restrictions affected a large percentage of the exports of developing countries to developed countries and in many cases were applied by the developed countries inconsistently with their international obligations. They also expressed their concern at other restrictive practices in developed countries, such as fiscal charges, purchase policies, variable levies, etc.

97. The representatives of developing countries also saw danger in increasing resort by the developed countries to quantitative restrictions and other non-tariff barriers on grounds of market disruption, and stated that it would not be worth while for them to consider the diversification and expansion of exports without being certain that their efforts would not be impaired by those barriers. In that

connexion, they emphasized the need for agreement on objective criteria to govern the concept of "market disruption" and stressed the need for setting up multilateral consultative and supervisory machinery for this purpose. They urged the developed countries to undertake anticipatory structural readjustments and in those cases where developed countries were using quantitative restrictions to restrain imports from developing countries, appropriate domestic structural adjustments should be made to permit increased imports from the developing countries.

98. The representatives of the developing countries further stressed that restrictions maintained by developed countries affected products of special export interest to developing countries, such as cotton textiles and processed and semi-processed agricultural products, in which they have a comparative advantage. With respect to cotton textiles, some representatives sought an assurance from the developed countries that no effort would be made to prolong Long-Term Arrangement regarding International Trade in Cotton Textiles beyond 1970. They stated that a decade should be sufficient for industries in developed countries to adjust to new patterns of international trade.

99. The representatives of some developing countries urged the elimination of restrictive business practices, such as those involving price-fixing, limitation of production, market division and various other forms which were largely applied by enterprises of developed countries, *inter alia* in granting licences for the use of patents and trade marks in developing countries. They pointed out that such practice had been to some extent studied from the point of view of the interests of developed countries and stressed that the time had come for the question to be studied from the point of view of the harmful effects of those practices on the export interests of the developing countries. In that connexion they suggested that the UNCTAD secretariat should prepare a detailed study of such practices, including a detailed analysis of the various forms they take, an identification of specific cases, an evaluation of their harmful effects on the developing countries, and suggestions as to appropriate measures for their elimination, including those to be taken at the international level.

100. The representatives of several developed market-economy countries recognized the concern of the developing countries regarding the impact of quantitative and other non-tariff restrictions on their exports and expressed their support for the removal of these restrictions. A number of those representatives said that they maintained no, or only a few, quantitative restrictions on imports of industrial products from developing countries. The representative of one developed market-economy country stressed that his country's quantitative restrictions were applied on a non-discriminatory and global basis. It was mentioned that in some cases the restricted items were of minor interest to developing countries. Several other representatives described their efforts in liberalizing imports of products of interest to developing countries in recent years. Only hard-core items remained under restrictions and their removal would require prolonged consultations between Governments and interested industries and trade unions. With regard to cotton textiles, the representative

of one developed market-economy country drew attention to the strong increases in that country's imports of cotton textiles from developing countries in recent years. It was pointed out that developed countries which applied non-tariff barriers, and which were dependent on the export of a minor range of primary products that were subject to quantitative restrictions in world markets, faced difficulties in liberalizing their own export régimes. The representative of one developed market-economy country, referring to anticipatory adjustment assistance measures, doubted whether it would be possible to forecast years in advance with any degree of accuracy the kind of competition domestic industry might face in regard to products of export interest to developing countries.

101. The representatives of some developed market-economy countries stated that they had fully observed the standstill provisions on trade barriers.

102. With reference to the issue of objective criteria and supervision of escape clause action, the representative of one developed market-economy country stated that that raised precisely the same problems that had been encountered in the discussion on the general system of preferences. It was also stated that the range of relevant issues bearing on escape-clause action was almost infinite, as had been brought out in the secretariat study on the objective criteria for an escape clause in a system of preferences (TD/19/Supp.1).

103. The representatives of socialist countries of Eastern Europe stated that they had fully complied with the recommendations of the first session of the Conference, in particular A.III.7, with the objective of expanding trade with the developing countries, and as a result their imports of manufactures and semi-manufactures from these countries continued to increase and to diversify. Every effort was being made to continue in this direction.

104. The representatives of some socialist countries of Eastern Europe stated that their countries had no restrictions whatever that could hamper the purchase of manufactures or processed agricultural products from the developing countries, and that trade was expanding on the basis of mutually agreed measures between the parties concerned in a spirit of co-operation. Those representatives stressed that bilateral agreements had been the most important instrument in the expansion of trade between the socialist and developing countries. The best guarantees for further expansion of that trade were provided by the planned development of their countries' socialist economies, the steady improvement of their standards of living and their determination to expand mutually advantageous trade relations with other countries interested in developing such relations.

105. The representatives of the socialist countries of Eastern Europe supported the call by the developing countries for the removal of quantitative restrictions and other non-tariff barriers maintained by developed market-economy countries. They pointed out that restrictions were also applied in a discriminatory manner in respect of their own exports. They regarded the liberalization of imports into developed market-economy countries on a most-favoured-nation and non-discriminatory basis as a fundamental requirement of the world economy and

urged the early implementation of the recommendations of the first session of the Conference to that effect.

Programme for liberalization and institutional arrangements

106. Representatives of developing countries emphasized the recommendation in the Charter of Algiers that a programme be established for the liberalization of non-tariff barriers, and that a time-table be set up for the removal of quantitative restrictions at an early date. In that connexion they supported the suggestions contained in the secretariat document "Programme for the liberalization of non-tariff barriers in developed countries on products of export interest to developing countries" (TD/20/Supp.1). In outlining the various elements of that programme, they stressed the following: adherence to standstill provisions on existing restrictions and refraining from imposing new restrictions; the making of an inventory of existing restrictive measures, fixing a time limit and a time-table for the removal of quantitative restrictions; to the extent possible the conversion of bilateral into global quotas; the introduction of effective measures for structural readjustment in developed countries to facilitate the progressive removal of existing restrictions; and the establishment of objective criteria for the application of import restrictions relating to escape-clause action on grounds of "market disruption".

107. The representative of one developing country stated that urgent consideration should be given at the Conference for the setting up of ground rules, machinery and a time-table for initiating fresh international negotiations, open to all developing countries, aiming at the consolidation of existing duty-free treatment to products of interest to developing countries; the reduction or elimination of the tariff differential between products in their primary and processed form; the elimination of duties on products of cottage industries; and the reduction and, ultimately, the elimination of all non-tariff and para-tariff barriers.

108. The representatives of several developing countries reiterated their support for the main provisions of the Charter of Algiers that countries with centrally-planned economies should also participate in the programme of trade liberalization. Among the measures mentioned for that purpose were the following: preferential access to imports of manufactures and semi-manufactures from developing countries; remunerative and stable prices for exports of developing countries; reduction of the margin between the import price and the interanal retail price; maintenance and progressive increase by way of firm commitments in imports from developing countries in relation to the growth of their own domestic demand; refraining from re-export of goods originating in developing countries without the consent of the latter; and multilateralization of payment agreements with developing countries.

109. The representatives of a number of developing countries suggested the establishment of machinery to evolve and supervise the programme for the elimination of tariff and non-tariff barriers, and stressed that because of its universal character, such machinery should be set up within UNCTAD.

110. With respect to the liberalization programme in the field of non-tariff barriers, the representatives of developed market-economy countries drew attention to the recent decisions of the Contracting Parties to the General Agreement on Tariffs and Trade to embark on the identification of non-tariff trade barriers and to establish panels of experts to examine problems relating to quantitative restrictions maintained by developed countries on industrial products of particular interest to developing countries. They were thus not in favour of establishing any new machinery within UNCTAD. Some of them suggested that inter-secretariat consultations should suffice to provide UNCTAD with sufficient material in that field and that UNCTAD could contribute by substantive analysis and by frank and full discussions of the subject. The representative of one developed market-economy country stressed that any programme should be subject to effective international supervision and considered that GATT would be the appropriate body to undertake this task.

111. Referring to the recommendation in the Charter of Algiers that outstanding issues in the field of tariff and non-tariff barriers be identified for further negotiations, the representative of one developed market-economy country stated that, while there should be no objection to identifying issues during the Conference, the negotiating functions of GATT could not be taken over without changing the General Assembly's decision on establishing UNCTAD (resolution 1995 (XIX)). The representative of another developed market-economy country said with respect to new tariff negotiations that it might be imprudent to devote international efforts to simultaneous discussions of preferential and most-favoured-nation tariff reductions since a successful outcome on the preference scheme would lessen the need for the other proposal.

112. The representatives of the socialist countries of Eastern Europe explained that they had undertaken, and were continuing to undertake, practical measures aimed at the expansion of trade in manufactures and semi-manufactures between themselves and the developing countries consistent with their economic structures and level of development. The representatives of a number of socialist countries of Eastern Europe stressed that recommendation A.III.7 adopted by the first session of the Conference contained all the necessary provisions for the successful development of such trade, and that socialist countries on their part were fully complying with it. Those representatives also referred to measures which the developing countries should take in accordance with the above recommendation. It was further pointed out that some of the provisions of the Charter of Algiers were superfluous since they bore no relation to the actual development of trade.

113. The representatives of some socialist countries of Eastern Europe stressed the need for the adoption of a universal programme for the liberalization of world trade which, in its first stage, would cover the removal of quantitative import restrictions. They supported the proposal that a group on non-tariff barriers should be established as a subsidiary body of the Committee on Manufactures to consider action on non-tariff barriers. The representative of one socialist country of Eastern Europe supported the suggestion concerning the pro-

programme for the liberalization of non-tariff barriers, and stated that such a programme should be general and non-discriminatory.

Draft resolutions

114. Two draft resolutions entitled "A 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 — restrictive business practices" (TD/II/C.2/L.7) and "A programme for the liberalization and expansion of trade in manufactures and semi-manufactures (including processed and semi-processed primary products) of interest to the developing countries" (TD/II/C.2/L.9 and Corr. 2) were orally introduced at the 28th meeting of the Committee and were made available to the Committee at its 29th meeting. The draft resolutions were sponsored jointly by the delegations of Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia. The draft resolutions are reproduced in the appendix to this report. On behalf of the sponsoring countries, it was formally suggested that a contact group be established to examine the draft resolutions submitted by them on item 11 (c). The representatives of the socialist countries of Eastern Europe accepted this suggestion. The representatives of the developed market-economy countries stated that they could not agree to such a suggestion and proposed that the draft resolutions be referred to the Trade and Development Board, or its Committee on Manufactures, or be taken up for immediate examination in the President's Contact Group. The Committee agreed to refer the draft resolutions to the plenary for further consideration.

Chapter III

Measures for the promotion, expansion and diversification of exports of manufactures and semi-manufactures from developing countries; co-operation with the United Nations Industrial Development Organization aimed at the establishment and expansion of export-oriented industries in developing countries; other forms of economic, industrial and technical co-operation

(Agenda item 11 (d))

115. It was widely recognized that complementary action was required in the field of the expansion and

diversification of exports of developing countries, in particular in respect of export promotion and marketing, to enable the developing countries to reap full benefits from the granting of preferences on a non-reciprocal and non-discriminatory basis in their favour and from other liberalization measures in the field of trade.

116. It was recognized that while the primary responsibility for export promotion must lie with the developing countries, it was equally important that action be taken by the developed countries and the United Nations and other competent international organizations in assisting the developing countries in their export promotion efforts with a view to giving global support to the efforts of developing countries to increase their export earnings. In that connexion it was advocated by the representatives of developing countries that UNCTAD and UNIDO, the UNCTAD/GATT International Trade Centre and the regional economic commissions should draw up a comprehensive and co-ordinated programme of action to be implemented at the international, regional and national levels.

117. The representatives of a number of countries considered the suggestions contained in the secretariat document entitled "A possible programme for the promotion of exports of manufactures and semi-manufactures from the developing countries" (TD/21) to be useful. The representatives of the developing countries stressed that those suggestions could provide a suitable basis for the drawing up of a comprehensive and co-ordinated programme. Some representatives suggested that it was necessary for close co-operation to be developed between UNCTAD, UNIDO and GATT in that context. In particular, it was stressed that UNIDO had a vital role to play in the establishment of export-oriented industries in the developing countries and that in so doing it would be necessary for UNIDO to maintain close working relations with UNCTAD and GATT. In that context mention was made of the joint UNCTAD/UNIDO exploratory missions to the various regions, and the suggestion was made that business experts should be included in such missions.

118. The representatives of a number of developed market-economy and developing countries welcomed the establishment of the joint UNCTAD/GATT International Trade Centre and also the proposal to establish regional trade centres. Many of the representatives drew attention to the need for such regional trade centres to supplement rather than duplicate the action to be taken by the International Trade Centre and for close co-operation to be maintained.

119. The representatives of many developing countries and of one developed market-economy country recommended that UNCTAD should become a full participating agency in the United Nations Development Programme in order that it might carry out directly and jointly with the UNCTAD/GATT International Trade Centre its role as the co-ordinating body within the United Nations family in the field of the expansion and diversification of exports from the developing countries. The representative of another developed market-economy country said that the establishment of the International Trade Centre diminished rather than strengthened the

case for UNCTAD to become a participating agency. He added that this question should be considered under item 16 (b) (Technical assistance activities relating to trade, including training of technical and special staff of developing countries) of the Conference agenda.

120. The representatives of some developed market-economy and many developing countries recognized the need to strengthen and improve the resources of the joint UNCTAD/GATT International Trade Centre and stressed the need for increased contributions to be made available from government and non-government sources and from the United Nations Development Programme.

121. In a statement to the Committee, the representative of the Director-General of GATT recalled that in agreeing to the creation of the joint UNCTAD/GATT International Trade Centre, the Contracting Parties to the General Agreement on Tariffs and Trade had noted that the primary objective of the joint Centre should be to provide benefits to the developing countries over and above the level of the services provided by the GATT Centre. That expectation could be fulfilled only if the resources available to the joint Centre were increased and if the Centre were enabled to provide more active support for export promotion projects financed by United Nations technical assistance funds.

122. The representatives of many countries stressed the importance of providing adequate training facilities, not only for officials from the developing countries but also for businessmen, in respect of export promotion techniques and related issues such as banking and insurance. A number of them stressed the important role which seminars could play in providing practical advice and experience in the field of export production and marketing. The representatives of a number of developed market-economy countries and socialist countries of Eastern Europe drew attention to the assistance they were at present providing in the field of training to personnel from the developing countries.

123. The representatives of many developed market-economy and developing countries also stressed the importance of obtaining adequate information about export possibilities in overseas markets and drew attention to the important role which the International Trade Centre could play as a catalyst in that field. The representatives of a number of developing countries mentioned the importance of establishing focal or contact points in the developed countries for the provision of such information to the developing countries. The representatives of a number of developed market-economy countries referred to the assistance they were already providing through national institutions to increase the imports from the developing countries.

124. The representatives of a number of developed market-economy and developing countries stressed the importance they attached to the establishment of appropriate export promotion bodies in the developing countries, and particular attention was drawn to the important role played by such a body as the Indian Institute of Foreign Trade. The representatives of several developing countries suggested that the joint UNCTAD/GATT International Trade Centre should be empowered to provide technical and financial assistance in respect of

the establishment of such bodies on a national basis and, where practicable, on a regional and sub-regional basis. The representatives of some developed market-economy countries drew attention to the need for co-ordination of multilateral and bilateral efforts.

125. Attention was drawn by a number of developed market-economy and developing countries to the need for experts with practical experience to advise the UNCTAD/GATT International Trade Centre on its programme in the field of export promotion. It was noted in that connexion that the Joint UNCTAD/GATT Advisory Group on the International Trade Centre would annually review the current and future activities of the Centre.

126. The representatives of some developed market-economy and developing countries and of some socialist countries drew attention to the important role to be played by trade fairs and exhibitions in promoting the exports of manufactures and semi-manufactures from the developing countries. In that connexion, the representatives of some developed market-economy countries and of some socialist countries of Eastern Europe indicated the assistance that they were willing to give in respect of trade fairs and exhibitions held in their countries to exporters from the developing countries. Attention was also drawn to the holding of the Second Asian International Trade Fair in 1969 in Teheran, to which States Members of the United Nations had been called upon to give their fullest support.

127. The representatives of some developed market-economy countries stressed the importance of adopting economic and financial measures conducive to the expansion of exports from developing countries. They also suggested that the experience of developed market-economy countries which had achieved a rapid and sustained increase in their exports should be studied in order to evolve appropriate measures in the field of export promotion.

128. The representatives of a number of developed market-economy and developing countries indicated their support for some of the practical suggestions contained in the report prepared by a consultant, Mr. D.U. Stikker, on *The role of private enterprise in investment and promotion of exports in developing countries* (TD/35/Rev.1).¹¹ The representative of one developing country drew attention to the fact that private foreign investment resulted in a number of problems for the developing countries, in particular in terms of the outflow of profits made from such investment and to the fact that monopolies were often set up, frequently in industrial sectors with low priority in terms of over-all industrial development.

129. The representatives of some socialist countries of Eastern Europe stressed that the report lacked a proper balance of pros and cons in assessing the role of private investment and drew attention, in particular, to the negative effect of profit repatriation. In that connexion the importance of the provisions of General Assembly resolution 2158 (XXI) on permanent sovereignty over natural resources had been stressed in respect of basic

¹¹ United Nations publication, Sales No.: E.68.II.D.9.

requirements to be fulfilled by private investors in the developing countries.

130. The representatives of some socialist countries of Eastern Europe stressed the importance of co-operation between UNCTAD and UNIDO in the establishment of export-oriented industries and in the marketing of products from such industries, and in addition emphasized the importance of bilateral and multilateral long-term trade agreements with the developing countries. The representative of one socialist country of Eastern Europe stressed the importance of the provisions contained in recommendation A.III.2 adopted by the first session of the Conference,¹² in the context of facilitating economic co-operation and trade exchanges in manufactures and semi-manufactures between developed and developing countries as well as between the developing countries themselves.

131. Representatives of some socialist countries of Eastern Europe, of developing countries and of one developed market-economy country stressed the importance of governments encouraging the promotion of the economic, industrial and technical co-operation for stimulating the expansion of foreign trade, and in particular the growth and the diversification of exports of manufactures and semi-manufactures from the developing countries. The important role which UNCTAD and the other international organizations were to play in the field of the extension of the economic, industrial and technical co-operation was emphasized. In that connexion the Committee's attention was drawn to the memorandum submitted by the Romanian delegation on the question,¹³ and a suggestion was made that a study should be undertaken by the secretariat to examine the forms which economic, industrial and technical co-operation could take. It was also stressed by the representatives of some socialist countries of Eastern Europe that energetic and speedy social and economic reforms were required in the developing countries in order to facilitate the successful diversification of their economies, including the diversification of their exports.

Draft resolution

132. The delegations of Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic

of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia tabled a draft resolution entitled "A programme for export development for expansion and diversification of exports from developing countries — promotion of economic, technical and industrial co-operation to this end" (TD/II/C.2/L.8), which is reproduced in the appendix to this report. On behalf of the sponsoring countries, it was formally suggested that a contact group be established to examine the draft resolution submitted on item 11 (d). The representatives of the socialist countries of Eastern Europe accepted that suggestion. The representatives of the developed market-economy countries stated that they could not agree to such a suggestion and they proposed that the draft resolution be referred to the Trade and Development Board, or the Committee on Manufactures, or be taken up for immediate examination in the President's Contact Group. After some discussion, the Committee agreed to refer the draft resolution to the plenary for further consideration.

APPENDIX

Draft resolutions, decisions and declarations submitted to the Second Committee

1. BASIC PRINCIPLES AND PROCEDURES GOVERNING AN AGREEMENT ON THE GENERAL SYSTEM OF PREFERENCES

Draft decision submitted by: Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia (TD/II/C.2/L.5)

Article 1

The United Nations Conference on Trade and Development decides that all developed countries shall establish a general non-discriminatory and non-reciprocal system for preferences providing for unrestricted duty-free entry of all manufactures and semi-manufactures, including processed and semi-processed agricultural and other primary products in favour of all developing countries to increase their export earnings and to accelerate the rates of their economic growth. To this end an international agreement on a general system of preferences on a non-discriminatory and non-reciprocal basis will be concluded and will be applied not later than 1 January 1970.

Article 2

The system of preferences under article 1 shall provide for unrestricted and duty-free access to the markets of all developed countries for all manufactures and semi-manufactures, including agricultural

¹² See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.D.11), pp. 35 and 36.

¹³ Letter dated 29 February 1968 addressed to the President of the Conference by the Acting Head of the delegation of the Socialist Republic of Romania (TD/76).

and other primary products in processed and semi-processed form from all developing countries.^a

Article 3

All countries of the Group of 77 shall be considered as developing countries entitled to benefit from the general system of preferences under article 1.

Article 4

On grounds of overriding national economic interests, each developed country may, subject to prior international consultation and justification procedure, establish the lists of temporary exceptions of:

(a) Products to which initially substantially reduced rates of duty below the most-favoured-nation level may be applied instead of duty-free entry,

(b) Products to which preferential tariff treatment may be exceptionally and temporarily withheld completely.

Article 5

As a special measure to assist the least developed among the developing countries to receive full benefits of the system, without discriminating among developing countries, and subject to the international consultation and justification procedure envisaged in article 4, the categories of export products of the least developed among the developing countries must not be included in the exceptions lists under article 4 (b).

Article 6

Exceptions under article 4 above should be kept to the barest minimum of cases and should relate only to the specific products and not to broad categories so as not to prevent a reasonable growth in the actual export earnings of the developing countries. These exceptions should be subject to periodic reviews for the purpose of reducing and eliminating them.

Article 7

On the basis of internationally agreed objective criteria, a developed country may, after prior international consultation and approval, temporarily invoke the escape clause on specific products of developing countries in case imports from these countries under the preferential régime are held directly responsible for causing serious injury to its domestic industry. In no case shall the preferential entry of these products be restricted below the level reached in the year preceding that in which the escape clause is invoked. In establishing objective economic criteria, the interests of the developing and the developed countries will be taken into account equally.

Article 8

The escape clause action, envisaged in article 7 above, shall not apply to imports of the less competitive products from the less advanced countries.

Article 9

In order to make the system of preferences fully effective in terms of the expansion of the developing countries' export earnings, the developed countries shall undertake anticipatory as well as subsequent domestic structural re-adjustment, so as to bring about the expeditious reduction of exceptions lists and to make the escape clause actions either unnecessary or temporary in nature.

Article 10

The developed countries undertake to remove measures which may have the effect of nullifying or reducing the value of preferential treatment envisaged under this agreement to any developing country and to refrain from imposing any new such measures.

Article 11

In order to achieve the objective of the general preferential system, the arrangement should last long enough to enable all developing countries to benefit from it. Initially, the agreement should last for twenty years and should be reviewed towards the end of this initial period. The objectives of this review may, *inter alia*, include the following:

(a) Whether all developing countries are enjoying adequate benefits;

(b) Whether the existing beneficiaries of existing preferences are receiving equivalent advantages;

(c) Whether the system is to be extended or modified; and

(d) Whether some products of developing countries or industries which have reached an adequate degree of international competitiveness should be excluded.

In any event the preferential treatment should not thereafter be abruptly terminated.

Article 12

The agreement under article 1 should provide for periodic triennial international reviews of the functioning of the system of preferences with a view to assessing the results achieved and to introducing necessary improvement, and particularly to make it possible for the least advanced among the developing countries which have not satisfactorily benefited from the system to obtain further benefits from it.

Article 13

In order to make it possible for the least advanced developing countries to share in the benefits of the preferential system, specific commitments should be made by developed countries from the inception of the system to provide, together with the adoption of special commercial policy measures other than those related to conditions of access to their markets, technical and financial assistance through international agencies, as appropriate to the least advanced developing countries in the establishment in their territories of export-oriented industries geared towards the markets of both the developed and other developing countries.

Article 14

The new system of general preferences should ensure at least equivalent advantages to developing countries enjoying preferences in certain developed countries to enable them to suspend their existing preferences on manufactures and semi-manufactures, including processed and semi-processed agricultural and other primary products. From the beginning, provision should be incorporated in the system of general preferences, for the developed countries to redress any adverse situation which may arise for these developing countries as a consequence of the institution of the general system of preferences.

The body that will be charged with the implementation of the general system of preferences shall, at the end of five years after application of the general system of preferences, examine and review the situation of developing countries now enjoying special preferences with a view to accelerating the process of merging of the less advantageous system with the more advantageous system without adversely affecting the global export opportunities of any developing country.

If the general system proves detrimental to countries benefiting from special systems, the body given the task of implementing the general system will also have to determine satisfactory compensatory measures to be taken by the developed countries while at the same time the special preferences are progressively eliminated, in order to ensure at least equivalent advantages for the beneficiary countries.

During the same transitional period the present arrangements for certain developed countries that enjoy special preferences for their products in certain developing countries should be brought into line through bilateral consultations or other appropriate procedures, as the case may be, with the new system of preferences under which

^a In order to identify the products, account will be taken of the appropriate technical documentation, including at least the Brussels Tariff Nomenclature and TD/B/C.2/3.

only the products of all developing countries shall enjoy preferences in the markets of all developed countries. The developed countries shall refrain from taking any retaliatory measures or from demanding any other advantage which would be tantamount to it.

Article 15

A Special Negotiating Committee on Preferences shall be established in order to negotiate the agreement on the system of preferences based on the principles and procedures embodied in this agreement and other arrangements for the functioning of the system of preferences. In addition to the existing membership of the Group on Preferences, the membership of the Special Committee shall be open to those States members of UNCTAD which notify the UNCTAD secretariat not later than 30 April 1968 of their intention of participating in its work.

Article 16

The Special Negotiating Committee for Preferences shall, in order to assure successful conclusion of the Agreement under article 1, in addition to detailed elaboration of the system of preferences under articles 1-14, also solve all problems arising under the general scheme of the system of preferences, such as:

- (a) Procedures for the evaluation of any adverse situation which may arise for countries now enjoying preferences and the modalities for redressing any such situation;
- (b) The formulation of the basic principles governing rules for determination of origin of goods;
- (c) The establishment of agreed time-tables for different preparatory measures, including submission of lists of exceptions;
- (d) The laying down of an international justification and consultation procedure, based on objective criteria, for governing recourse to the exceptional measures and safeguard clauses as set forth in this Agreement.

Article 17

The Special Negotiating Committee on Preferences will hold its first meeting on 14 May 1968, and set the time-table for further meetings. The draft agreement on the system of preferences should be completed not later than the end of October 1968.

The Special Negotiating Committee on Preferences will submit its report together with the draft agreement to the Trade and Development Board, which will make the final decision on the date for convening a conference of government plenipotentiaries, not later than January 1969.

2. A 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 — RESTRICTIVE BUSINESS PRACTICES

Draft resolution submitted by: Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia (TD/II/C.2/L.7)

The United Nations Conference on Trade and Development,

Noting with concern that the rate of increase in the exports of manufactures and semi-manufactures, including processed and

semi-processed primary commodities, from developing countries has not attained a level commensurate with their economic development needs,

Taking into account that certain restrictive business practices have been hindering the expansion of exports of manufactures and semi-manufactures, including processed and semi-processed primary commodities, from developing countries, in some cases even more effectively than tariff and non-tariff barriers imposed by governments,

Considering that these restrictive business practices, which are widely applied, are all the more harmful to the interests of developing countries since they rely to a large extent on the transfer of patents, know-how and capital from enterprises of developed countries,

Considering furthermore that the dissemination of these practices resulting from the existing trend towards the multiplication and expansion of international enterprises of developed countries with subsidiaries in other countries, especially in developing countries, can seriously inhibit the very process of economic development of developing countries,

Noting that these restrictive business practices often entail a limitation in the export capacity of the developing countries, thereby affecting their export receipts,

Recalling part E, paragraph 7 (b), of the Charter of Algiers,^b

1. *Requests* the Secretary-General of UNCTAD to present to the third session of the Committee on Manufactures a comprehensive study on the question of restrictive business practices adopted by enterprises of developed countries, with special reference to the harmful effects of these practices on the export interests of developing countries, particularly of the least advanced among them;

2. *Requests* the Secretary-General of UNCTAD to convene a group of non-governmental experts to assist him in preparing such a study. This study should take account, *inter alia*, of the following aspects of restrictive business practices adopted by enterprises of developed countries as they affect the export interests of developing countries:

- (a) The general aspects of these practices;
- (b) Market distribution;
- (c) Price fixing;
- (d) Restrictions deriving from technical assistance;
- (e) Any other forms these practices may take.

The study should also:

(a) Identify the restrictive business practices adopted by enterprises of developed countries which adversely affect the export interests of developing countries;

(b) Include suggestions of concrete measures aimed at the abolition of restrictive business practices and at the solution of specific problems caused by them to a developing country; in this connexion, special consideration should be given to the study of the question of the establishment of international investigation and consultation procedures;

3. *Recommends* that the Committee on Manufactures, at its third session, give special consideration, in the light of the suggestions put forward by the aforementioned study, to the question of the action that should be taken by Governments of both developed and developing countries with a view to the limitation and eventual abolition of restrictive business practices adopted by enterprises of developed countries which affect the export interests of developing countries.

^b TD/38.

3. A PROGRAMME FOR THE LIBERALIZATION AND EXPANSION OF TRADE IN MANUFACTURES AND SEMI-MANUFACTURES (INCLUDING PROCESSED AND SEMI-PROCESSED PRIMARY PRODUCTS) OF INTEREST TO THE DEVELOPING COUNTRIES

*Draft resolution submitted by: Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia (TD/II/C.2/L.9) **

The United Nations Conference on Trade and Development,

Noting that existing tariff and non-tariff barriers in developed countries constitute the main obstacles to the expansion of the exports of manufactures and semi-manufactures, including processed primary products, from developing countries,

Considering that the continuous liberalization of trade among developed countries has worsened the relative position of developing countries in world trade, since parallel measures concerning the exports from these countries have not been taken,

Recommends that:

1. Developed countries do not raise existing tariff and non-tariff barriers nor establish new barriers or measures having equal effect against exports of manufactures and semi-manufactures, including processed and semi-processed primary products, from developing countries. Tariff and non-tariff barriers limiting the imports into their markets of products from developing countries should only be introduced or increased by developed countries on the basis of multilateral consultations of all interested countries and in compliance with internationally agreed objective criteria. In no case should such measures be taken by developed countries to reduce levels of consumption in their markets for such products or to restrict the entry of these products below the highest level reached before the imposition or increase of barriers.

Action in the tariff field

2. While arrangements are under way for putting into effect a general system of preferences in favour of all developing countries, the developed countries should:

(a) Implement immediately, without phasing, in favour of all developing countries on a preferential basis, all the concessions agreed to during the trade negotiations (Kennedy Round);

(b) Extend the benefit of all concessions agreed to during the negotiations to all developing countries whether or not members of the General Agreement on Tariffs and Trade, without reciprocity;

(c) Undertake re-adjustments in the tariff nomenclatures of developed countries, in order to identify and specify those products which are or could be exported by developing countries;

(d) Eliminate tariff differentials which differentiate between products in their primary forms and their processed, semi-processed and semi-manufactured forms from developing countries and eliminate duties on hand-made products from developing countries.

Action in the non-tariff field

3. Developed countries should remove all quantitative restrictions, especially those which are applied by them inconsistently

with their international obligations, to the exports of manufactures and semi-manufactures, including processed and semi-processed primary products, from developing countries at an early date, and in any case by 31 December 1970, and in the meantime they should:

(a) Liberally administer the quantitative restrictions which would remain in force pending their final elimination;

(b) Fix annual percentage increases in quotas with a view to achieving full liberalization by the target date;

(c) Ensure that the quotas should in no way be discriminatory;

(d) Convert, to the extent possible, existing country quotas into global quotas.

However, in regard to existing preferential quotas, they shall be subject to consultation and agreement between the developing and developed countries concerned.

4. Developed countries should inform UNCTAD of all existing non-tariff barriers, especially quantitative restrictions, to the exports of manufactured and semi-manufactured products, including processed and non-processed primary products from developing countries.

5. A concrete programme for the progressive elimination of existing non-tariff barriers in the developed countries to the exports of manufactures and semi-manufactures, including processed and semi-processed primary products, from developing countries shall be established. This programme shall also include appropriate measures for the expansion of imports of manufactures and semi-manufactures from developing countries into centrally-planned economy countries.

6. Countries with centrally-planned economies should make specific commitments in order to expand and diversify their imports of manufactures and semi-manufactures, including processed and semi-processed primary products, from developing countries.

7. The Secretary-General of UNCTAD should make appropriate arrangements for the establishment as soon as possible of a Group on Non-Tariff Barriers to work in close collaboration with the Special Committee on Preferences and which should consist of governmental representatives drawn from developed, developing and centrally-planned economy countries. The Group shall provide a forum for negotiations with a view to the elimination of non-tariff barriers, especially quantitative restrictions, to the exports of manufactures and semi-manufactures, including processed and semi-processed primary products, from developing countries.

8. In pursuance of this purpose, the Group on Non-Tariff Barriers should draw up, on the basis of the present recommendation, a concrete and specific programme on a product-by-product or group of products basis, for the progressive elimination of quantitative restrictions and other non-tariff barriers on manufactured and semi-manufactured products, including processed and semi-processed primary products, which are or could be exported by developing countries. The programme shall provide for the complete elimination of quantitative restrictions in developed countries by 31 December 1970 and of all non-tariff barriers within a period of five years from the date of the present recommendation.

9. Moreover, the Group should have the following other principal functions:

(a) To collect the necessary detailed information on quantitative restrictions and other non-tariff barriers on products which are or could be exported by developing countries;

(b) To examine these restrictions, their extent and nature, the reasons for their maintenance and the economic effects of these restrictions for both developed and developing countries;

(c) To lay down the objective criteria for determining the occurrence of situations which might give rise to the application of measures restrictive of trade, those criteria to be applied in conjunction with the programme of liberalization;

* Incorporating document TD/II/C.2/L.9/Corr.2.

(d) To give consideration to the adjustment assistance measures which could be adopted by developed countries with a view to facilitating the fulfilment of the liberalization programme;

(e) To study the specific measures to be taken by countries with centrally-planned economies within the aforementioned programme;

(f) To study and recommend special measures for the elimination at an early date of non-tariff barriers applied to the products of the least developed among the developing countries;

(g) To study any other matters entrusted to it by the Trade and Development Board.

10. The Group should present to the third session of the Committee on Manufactures a complete list of the manufactured and semi-manufactured products, including processed and semi-processed primary products, which are or could be exported by developing countries subject to quantitative or other non-tariff restrictions in developed countries.

11. The Group should submit to the fourth session of the Committee on Manufactures the programme of liberalization of trade in manufactures and semi-manufactures, including processed and semi-processed primary products, together with objective criteria for determining the occurrence of situations which might give rise to the application of measures restrictive of trade.

12. The Group shall have the functions of reviewing annually, on an *ad hoc* basis if necessary, the progress achieved in the fulfilment of the programme of liberalization and of controlling the application of restrictive measures on the basis of market disruptive situations.

4. A PROGRAMME FOR EXPORT DEVELOPMENT FOR EXPANSION AND DIVERSIFICATION OF EXPORTS FROM DEVELOPING COUNTRIES — PROMOTION OF ECONOMIC, TECHNICAL AND INDUSTRIAL CO-OPERATION TO THIS END

Draft resolution submitted by: Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia (TD/II/C.2/L.8)

The United Nations Conference on Trade and Development,

Considering the importance and need of specific measures for the promotion of economic, industrial and technical co-operation in the establishment and expansion of export-oriented industries and the development of export promotion efforts in the interests of the promotion, expansion and diversification of exports from developing countries,

Recognizing the urgent need for development and implementation of a co-ordinated and comprehensive Programme of Export Development incorporating a provision for the expansion of the production

base of export-oriented industries and of the export promotion efforts of developing countries through co-operative and co-ordinated utilization of resources of various international, multilateral and regional organizations,

Welcoming the establishment of a United Nations Export Promotion Programme as decided at the meetings of Executive Secretaries of the regional economic commissions convened by the Under-Secretary-General for Economic and Social Affairs during 1967, and in this connexion the establishment of the UNCTAD/GATT International Trade Centre as well as the Trade Promotion Centre in the Economic Commission for Asia and the Far East and the initiatives for trade promotion action within the Economic Commission for Africa and the Economic Commission for Latin America,

1. Requests the Secretary-General of UNCTAD, in consultation with the Executive Director of the United Nations Industrial Development Organization (UNIDO) and the Director-General of the General Agreement on Tariffs and Trade (GATT), in co-operation with the organizations and agencies of the United Nations and the regional economic commissions concerned, and also with other international, multilateral and regional organizations, and taking into account the relevant recommendations made in the Final Act of the first session of the United Nations Conference on Trade and Development and the suggestions made by the two groups of experts previously called under the auspices of UNCTAD and UNIDO, to prepare a comprehensive and co-ordinated Programme of Export Development, comprising measures of technical assistance and determining specific measures which need to be taken by the respective organizations and agencies at the international, multilateral and regional levels (including the promotion of economic, technical and industrial co-operation), for supplementing and strengthening the activities of developing countries in these fields at the national level;

2. Recommends to the Secretary-General of UNCTAD, in consultation with the Director-General of GATT and the Executive Director of UNIDO and member States of these organizations, to invite a group of experts for the preparation of such a comprehensive and co-ordinated programme, outlining in particular the specific programmes to be implemented by the UNCTAD/GATT International Trade Centre; and also requests the regional economic commissions and other regional organizations concerned likewise to invite groups of experts for the preparation of details of the programmes to be implemented by them;

3. Invites Governments to encourage economic, technical and industrial co-operation, by increasing the assistance from developed to developing countries, for strengthening the production base of export-oriented industries, for developing their export marketing competence, and for expanding and diversifying their exports;

4. Recommends to the General Assembly to provide that UNCTAD should as soon as possible become a participating agency in the United Nations Development Programme (UNDP) for the purpose of carrying out directly and jointly with the UNCTAD/GATT International Trade Centre technical assistance programmes financed by UNDP;

5. Requests the United Nations General Assembly to make available adequate resources in the budget of the Organization for the implementation of the Programme of Export Development and for meeting the requirements of international and regional institutions engaged in this Programme.

C. REPORT OF THE THIRD COMMITTEE

CONTENTS

	Paragraph	Page
<i>Introduction</i>	1-11	281
<i>Chapter I.</i> Increasing the flow of international public and private capital	12-29	282
<i>Chapter II.</i> Improving the mobilization of internal resources	30-42	284
<i>Chapter III.</i> Improving the terms and conditions of aid; alleviating the problems of external indebtedness	43-61	285
<i>Chapter IV.</i> Supplementary financial measures	62-73	288
<i>Chapter V.</i> Compensatory financing facility	74-78	290
<i>Chapter VI.</i> International monetary system: issues relating to development finance and trade of developing countries	79-85	290
<i>Chapter VII.</i> Action taken by the Committee on the draft resolutions, recommendations and proposals before it	86	291

APPENDICES

I. Draft resolutions, decisions and declarations submitted to the Third Committee	292
II. Notes by the Chairman of the Third Committee	300

NOTE. The check list of documents prepared for and during the deliberations of the Third Committee appears in annex X to the report of the Conference.

Introduction

1. At its 37th (opening) plenary meeting on 1 February 1968, the Conference established the Third Committee and referred to it for consideration and report item 12 of the agenda, in conformity with the recommendation made by the Trade and Development Board at its fifth session.¹ Item 12 of the agenda as adopted reads as follows:

Growth, development finance and aid (synchronization of international and national policies)

(a) Review of recent development and long-term trends in the light of recommendations and other provisions of the Final Act of the first Conference *

(b) Financial resources and requirements of developing countries and measures to accelerate their economic development:

- (i) Increasing the flow of international public and private capital;
- (ii) Improving the terms and conditions of aid;
- (iii) Alleviating the problems of external indebtedness;
- (iv) Improving the mobilization of internal resources

(c) Supplementary financial measures

(d) Compensatory financing facility

* The purpose of sub-item (a) is to provide delegations with general factual information about the subject matter of the item. No general debate is expected since such a debate will take place under item 8.

¹ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, para. 22 (c).

(e) International monetary system: issues relating to development finance and trade of developing countries.

2. At its first meeting, held on 2 February 1968, the Committee elected Mr. J. Everts (Netherlands) as its Chairman. At its second meeting on 8 February it elected Mr. L. Jayawardena (Ceylon) as Vice-Chairman. At its third meeting on 12 February the Committee elected Mr. José Antonio Palacios (Guatemala) as Rapporteur.

3. The Committee held twenty-nine meetings in the course of which it considered item 12 and all its sub-items.²

4. At the Committee's second meeting on 8 February 1968 the Chairman drew attention to a communication he had received from the President of the Conference concerning the allocation of item 12 of the Committee (TD/II/C.3/1). The Committee was expected not only to investigate the specific financial questions but also to inquire more deeply into the whole problem of development. After some discussion concerning the order in which the Committee might consider the various sub-items of item 12, it was agreed that the Committee should discuss sub-items (b) (i) and (iv) separately but succes-

² For an account of the Committee's deliberations see the summary records of the first to 29th meetings (TD/II/C.3/SR.1-29).

sively, followed by sub-items (b) (ii) and (b) (iii). After this, sub-items (c), (d) and (e) would be considered.

5. For the purpose of drafting the Committee's report to the Conference the Rapporteur was assisted by a group of "friends" designated by the various groups of countries. The Committee considered the draft of its report to the Conference at its 27th, 28th and 29th meetings, and adopted its report unanimously at the 29th meeting on 21 March 1968.

6. The Committee being a Committee of the Whole, participation in its deliberations was open to representatives of all States members of the Conference.

7. One of the major documents frequently referred to by members of the Committee, particularly representatives of developing countries, was the Charter of Algiers (TD/38).

8. The representatives of the International Bank for Reconstruction and Development (IBRD) and of the International Monetary Fund (IMF) participated in the Committee's deliberations and addressed the Committee on a number of occasions.

9. The representative of the World Federation of Trade Unions, a non-governmental organization admitted as an observer under rule 81 of the rules of procedure of the Conference, addressed the Committee at its tenth meeting on 20 February.

10. The representative of the International Confederation of Free Trade Unions, a non-governmental organization admitted as an observer under rule 81 of the rules of procedure, addressed the Committee at its 22nd meeting on 6 March.

11. The International Federation of Christian Trade Unions, a non-governmental organization admitted as an observer under rule 81 of the rules of procedure addressed the Committee at its 26th meeting on 11 March.

Chapter I

Increasing the flow of international public and private capital (Agenda item 12 (b) (i))

12. The Director of the New York Liaison Office of UNCTAD made a statement at the second meeting introducing this item (TD/II/C.3/L.1).

13. The Committee agreed that developing countries must and do bear the main burden of financing their own development. It also agreed that current flows of financial resources to these countries were inadequate and that they had made considerable efforts in recent years to mobilize their own resources and could immediately put into effective use a greater volume of external assistance.

14. Many delegations noted with concern that the volume of financial resources flowing to developing countries had not kept pace with the rate of growth of the gross national product (GNP) of developed countries during the period 1961-1966.

15. In its consideration of the trade prospects and capital requirements of the developing countries, the

Committee had before it a secretariat study on the subject (TD/34, TD/34/Supp.1 and Corr.1 and 2, TD/34/Supp.1/Add.1 and Corr.1 and 2). In the view of some representatives of the developed market-economy countries, the estimates contained therein and the research underlying them were valuable but limited bases for discussion. They suggested that the figures were indicative and illustrative only. Representatives of developing countries stated that the estimates of the capital requirements contained in the secretariat study were conservative even after allowance was made for an increase in their own efforts. It was generally agreed that the projections did imply that major efforts to mobilize domestic resources supplemented by increasing external public and private capital would be necessary. Several representatives emphasized the desirability of taking into account the implications for developing countries of alternative types of performance by the latter in further studies of their trade prospects and capital requirements.

16. In view of the need to augment the flow of public and private capital to developing countries, the Committee considered a number of means to achieve greater flows of external financial resources. Some representatives suggested that temporary difficulties were impeding efforts of some developed market-economy countries to increase aid programmes, in particular balance-of-payments and budgetary problems. Some representatives stated that balance-of-payments difficulties were not wholly valid as an argument in this context because in the majority of cases financial assistance was tied to purchases in developed market-economy donor countries. Representatives of some developing countries expressed the hope that prompt reform of the international monetary system would alleviate the problems faced by some developed market-economy countries and would enable the latter to increase external assistance to developing countries.

17. Representatives of developing countries proposed that the 1 per cent target for capital flows be specifically defined in terms of GNP at market prices. Some representatives of developed market-economy countries supported this proposal. Many other representatives of developed market-economy countries indicated that they had never accepted the target defined in these terms. Some of them pointed out that the majority of the developed market-economy countries had yet to achieve the target defined in terms of net national income at factor cost. Some of the representatives further stated that, in reviewing the past progress, due account should be taken of the differences in the aid-giving capacity of individual countries.

18. Representatives of developed market-economy countries stated that they had been taking various measures to increase the flow of resources with a view to meeting the rising needs of developing countries. Some of those representatives further stated that development aid should not be governed by fluctuating economic conditions but should remain a continuing process.

19. Representatives of the socialist countries of Eastern Europe stated that they bore no responsibility for the economic difficulties of developing countries as they had never exploited developing countries and had no investments in those countries. They could not, therefore,

accept commitments to meet any fixed targets for financial flows. They further stated that they were giving considerable financial and technical assistance to the developing countries and would continue to do so by proceeding from concrete economically motivated proposals on co-operation and by taking into account their own possibilities as well as those of developing countries. The representatives of some socialist countries of Eastern Europe pointed out that they had only recently emerged from the state of economic under-development; this did not permit them to be put on an equal footing with developed market-economy countries with respect to any fixed targets for financial flows. The representative of a socialist country of Eastern Europe, recalling that it had supported recommendation A.IV.2 of the first session of the Conference,³ stressed that his country was making outstanding efforts to reach the economic level of the European industrial countries and was supporting, under various forms, the developing countries in accordance with its own economic possibilities.

20. Representatives of some developing countries stated that the contribution of socialist countries of Eastern Europe was very important for their economic development and suggested that such historical reasons were not to be taken as the sole basis for determining the flow of financial assistance to developing countries.

21. Many representatives emphasized the vital role of official assistance while recognizing the useful role private capital could play in financing economic development on terms satisfactory both to the capital-importing and capital-exporting countries. Representatives of developing countries proposed the establishment of a separate minimum target, net of interest and amortization payments, for the official component of flows of financial resources, as only that component could be relied upon and adapted to meet the requirements of development. Some representatives of developed market-economy countries indicated that they could themselves accept such a target but most were reluctant to support an official aid target. In the view of some of the latter representatives, a target for official aid would not necessarily achieve the purpose for which it was intended and might detract from the simple and global nature which they felt was desirable in targets for aid flows. They further stated that in considering the desirability of such a target, the different financial and other structures of individual countries should be taken into account.

22. Many representatives of developed market-economy countries and developing countries emphasized the important contribution which they felt private capital could make to development. Many representatives of developing countries described the efforts their Governments had made to encourage inflows of private funds but expressed disappointment at the small amounts of private capital that had been forthcoming. Some of those representatives stressed the point that it was unlikely that private capital would flow in sufficient quantities to the less developed of the developing countries. It was neces-

sary, in the view of many representatives, that the developed market-economy countries and developing countries take measures, as appropriate, to stimulate further private capital flows to developing countries.

23. Certain disadvantages which private investment could entail for the recipient countries were cited by some representatives. It was also emphasized that private capital should make a lasting contribution to the economic development of the host country, subject to nationally defined priorities and within the framework of national development plans, and that profits should not be too high. Some representatives of developing countries and socialist countries emphasized the large reverse flow of funds associated with amortization, capital repatriation, and interest, profits and dividends. Taking those flows into account, they indicated that the net contribution of private capital was negative in developing countries. Some representatives of developed market-economy countries stated that it was necessary to take account of the total balance of payments and economic effects of existing private investment, and a study of that matter was suggested. A study of the rights and obligations of private investors and the host countries was also proposed.

24. Many representatives of developing countries supported a proposal for the creation of a multilateral interest equalization fund to allow funds raised in the capital markets of the developed market-economy countries to be lent to developing countries on concessional terms. For the consideration of this, the Committee had before it a secretariat study on the Horowitz proposal (TD/7/Supp.11). In the view of one delegation, the Special Drawing Rights to be activated within the IMF could be one of the sources of funds to be transferred to the multilateral interest equalization fund. Representatives of some developed market-economy countries said that the proposal for a multilateral interest equalization fund was imaginative and interesting but that its implementation should be left to the individual countries providing aid. It was not suitable, in their view, for multilateral implementation.

25. During the Committee's consideration of multilateral development finance, some representatives stressed that restrictions on borrowing by multilateral institutions should be relaxed by developed market-economy countries and emphasized the need for increasing the proportion of assistance flowing through multilateral institutions. The role of regional development banks in fostering economic growth in developing countries was emphasized by a number of speakers. The representatives of developing countries who spoke on multilateral development finance supported a proposal that the IBRD become a development bank for developing countries only. The only representative of a developed market-economy country who referred to the proposal did not support it. The representative of the IBRD stated that for all practical purposes the Bank was almost exclusively a lending agency for developing countries.

26. The forthcoming replenishment of the International Development Association (IDA) was welcomed by many representatives. However, some representatives were disappointed at the size of the replenishment. Others expressed the hope that no abandonment of IBRD policies on competitive bidding would be involved in the replenish-

³ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 43 and 44.

ment. The IBRD representative was confident that the replenishment of IDA would soon be achieved with completely untied funds.

27. A few representatives of developing countries maintained that General Assembly resolution 2186 (XXI) of 13 December 1966, which decided to bring the United Nations Capital Development Fund into operation, not only responded to the needs of developing countries for an increase in the flow of multilateral assistance, but also to their needs for an increase in aid which was not motivated by political considerations. In that context, Governments, especially of the economically more developed countries, were urged by the representatives of the developing countries to make substantial contributions at the Fund's 1968 Pledging Conference, so as to enable the Fund to operate in accordance with General Assembly resolution 2186 (XXI) and play an effective role as an integral part of the United Nations system.

28. It was proposed by some representatives of developing countries that a mechanism be set up within the UNCTAD framework to review the implementation of targets and to discuss suitable measures to achieve them with individual advanced countries. Representatives of developed market-economy countries pointed to serious legal obstacles to any such machinery, and said they could not accept any arrangement going beyond the scope of existing understandings regarding the review of implementation performance in UNCTAD.

29. A number of representatives supported a proposal made by the President of IBRD that a review be made by a group of eminent people of the last twenty years' experience with development finance in order to obtain a clear picture of the successes, failures and any mistakes which might have been made. In their view this would be important in obtaining public support for the political decisions necessary to sustain adequate flows of development finance.

Chapter II

Improving the mobilization of internal resources

(Agenda item 12 (b) (iv))

30. The Director of the New York Liaison Office of UNCTAD made a statement at the ninth meeting introducing this subject (TD/II/C.3/L.7).

31. Representatives of all groups of countries agreed that developing countries must and do bear the main burden of financing their own development and to that end it was very important that their national resources, financial and others, be mobilized effectively.

32. Representatives of almost every developing country, while recognizing that they must bear primary responsibility for their development, stressed that in view of the limited degree of substitutability between imported and domestic resources, the availability of foreign exchange greatly affected the amount as well as the effectiveness of their efforts to mobilize domestic resources. The mobilization of domestic resources required co-operation between developing and developed countries; such co-operation had to take into account the mutual interests of all parties,

the sovereignty of the developing countries and their right to exploit their own domestic resources for their development.

33. Representatives of developed market-economy countries welcomed the emphasis laid by the developing countries themselves on domestic efforts and suggested that the responsibilities of developing countries in that area should be specified as clearly as possible. Several of those representatives pointed to the great importance of a favourable public opinion in developed countries to ensure an adequate flow of aid to developing countries. In that connexion, they argued that developing countries could help in creating the necessary favourable climate for economic aid by an effective utilization of assistance as well as through adequate mobilization of their own resources. The representatives of the developed market-economy countries also referred to the necessity, as part of such efforts, to strengthen machinery for planning and implementation in the developing countries. While agreeing with the view that the availability of foreign exchange was important for successful development, they suggested that the balance-of-payments constraint could be eased by greater internal discipline in developing countries.

34. Representatives of the socialist countries of Eastern Europe stressed that the degree and characteristics of efforts at mobilization of internal resources by developing countries were basic conditions for increasing the rates of economic growth, the pursuit of independent economic policies and for the preservation of sovereignty of the developing countries.

35. There was general agreement in the Committee that trends in output, investment, savings, agricultural growth, education and training and the effectiveness of the planning process were among important indicators of progress. However, there was also agreement that the relative importance of those indicators varied from one country to another and also that meaningful performance norms could not be set up without detailed analysis of the structural characteristics, economic potentialities and constraints which condition the pace of development in various countries. One representative maintained that meaningful evaluation of development performance could not be made except on a country-by-country basis. Several representatives emphasized that certain non-quantifiable elements had a major influence on development.

36. Representatives of developed market-economy countries stressed the importance of agricultural development, education and training, reform of fiscal administration and capital markets, and also effective population policies, as part of an efficient development policy. Some of them also emphasized the importance of expanding trade and economic integration among developing countries and the necessity for creating a favourable climate for private foreign investment and the prevention of the flight of capital from developing countries.

37. Representatives of the socialist countries of Eastern Europe said that the main source of development financing was the mobilization of domestic resources by the State together with a fairer distribution of the national income. They observed in that connexion that, as their experience showed, the problem could be solved satisfactorily only

if the necessary conditions existed in a country. By that they meant that certain social and economic reforms should be carried out with a view to strengthening the economic position of the State, that the principle of planning, both short- and long-term, should be introduced in the economy and that scientifically based programmes for the optimal development of the branches of the national economy should be formulated. In that connexion, it was also very important to establish strict State control over foreign trade and foreign exchange. Some representatives of the socialist countries of Eastern Europe stressed that industrialization had proved to be the decisive factor in mobilizing domestic resources, making economic progress and guaranteeing the independence and sovereignty of countries. The representative of a developing socialist country pointed out that in some cases the carrying out of the structural changes necessary for improving the mobilization of internal resources gave rise to problems of conflict between countries whose interests might be affected.

38. Representatives of several developing countries pointed out that in assessing their performance it was necessary to bear in mind that at present about 80 per cent of investment in developing countries was financed from local savings. They referred to the slow growth of their exports, the difficulties of stepping up savings and tax revenues in face of low *per capita* income, and the predominance of subsistence sectors in their economies. They also stressed that without adequate receipts of foreign exchange, domestic savings could not be converted into productive investment. While recognizing the importance of agricultural development, they stressed the need for industrialization to provide the necessary dynamism to the development process.

39. Some representatives were of the opinion that an impartial international evaluation of development plans and performance on a continuing basis would be of great help to both donors and recipients of assistance.

40. Representatives of several developing countries stressed the point that any evaluation machinery should also provide for an assessment of the assistance effort of developed countries. Some of those representatives felt that the United Nations Capital Development Fund would provide the right sort of institutional arrangements for undertaking such an evaluation. Some others felt that the existing machinery, including consortia and consultative groups, could be adapted for that task.

41. Several representatives stressed the importance of utilizing the existing international mechanisms which had continued to improve over the last few years and were also capable of further improvement. In the view of many representatives proliferation of international agencies was to be avoided. Some of them felt that developing countries should set up a mechanism for the discussion of mutual efforts and policies on the pattern of the Organisation for Economic Co-operation and Development (OECD) discussion of its members' efforts in various fields. Some of them felt that the Inter-American Committee on the Alliance for Progress (ICAP) machinery was an example of what might be done and that evaluation through regional and sub-regional mechanisms was commendable.

42. Several representatives recognized the importance of the studies contained in the secretariat papers TD/7/Supp.2 and Corr.1 and TD/34. Some representatives of developed market-economy countries felt that efforts should be made to assess the impact on trade and development prospects of various alternative assumptions about domestic performance, savings rates, trade among developing countries and capital output ratios, and that the analysis of the foreign exchange component of agricultural inputs was also in need of further development. Representatives of the socialist countries of Eastern Europe suggested that the secretariat should continue its studies on the mobilization of internal resources, paying particular attention to the role of the State sector and an effective planning process.

Chapter III

Improving the terms and conditions of aid; alleviating the problems of external indebtedness (Agenda item 12 (b) (ii) and (iii))

43. The Director of the New York Liaison Office of UNCTAD made a statement at the 13th meeting introducing this subject (TD/II/C.3/L.8).

44. In view of the close interrelationship between the terms of aid and the problem of indebtedness, the Committee decided to consider sub-items 12 (b) (ii) and 12 (b) (iii) of the agenda together.

45. Representatives of most groups of countries agreed that the over-all terms of development assistance generally remained too hard and that further efforts were required to soften the terms of aid, and also to harmonize the terms of assistance given by various developed countries to individual developing countries. Many representatives, both of developed and developing countries, stressed the close relationship that existed between the volume and terms of financial flows. Several of them stressed the point that the real value of a given nominal flow depended on the terms and conditions of that flow.

46. Representatives of the majority of the developing countries emphasized the urgent necessity of implementing by 1968 at the latest, General Assembly resolution 2170 (XXI) and the recommendation of the Development Assistance Committee (DAC) of OECD on the terms of aid. They further suggested that, beyond an agreed date, all official lending by developed to developing countries should take place on terms laid down by IDA and that appropriate steps should also be taken to soften substantially the terms of aid in the interim period. Several of these representatives emphasized the urgency of replenishing the resources of IDA on an adequate scale. Several representatives of developing countries supported the proposal for interest subsidies on development loans and the suggestion that a "Bisque clause", such as that found in the two loans extended by the United States of America and Canada to the United Kingdom of Great Britain and Northern Ireland in 1945, which provided for deferment of interest and amortization payments in a fixed number of years in which the United Kingdom suffered balance-

of-payments difficulties, should be incorporated, with suitable changes, in all development loans.

47. Representatives of developed market-economy countries recognized the need for a further softening and harmonization of terms of aid. Some of them recognized the need for going beyond existing United Nations General Assembly resolutions and DAC recommendations on the terms of aid and of extending a larger proportion of their aid in grant form. Some developed market-economy countries commented upon the progress which they had been able to make in this regard. One such country indicated that, as a matter of policy, it provided all its official aid on a grant basis. Representatives of some developed market-economy countries referred to the use being made of interest subsidization and other techniques to soften the terms of their aid. However, several representatives of developed market-economy countries opposed specifically the view expressed in the Charter of Algiers that "all development lending should be on terms currently applied by IDA". (TD/38, part two, C.2 (b)). In the view of some of those representatives, the terms of assistance should vary according to the debt-servicing capacity of each developing country, and for this purpose developing countries could be divided into groups on the basis of their debt-servicing capacity. Representatives of some developed market-economy countries stressed the importance of early action to harmonize on a softer basis the terms of aid extended to developing countries, lest relatively more liberal donors should feel obliged to harden the terms of their aid. One representative of a developed market-economy country stated that while further softening of terms was necessary, certain disparities in terms among lenders were difficult to avoid in view of differences in their aid-giving capacity.

48. Representatives of the socialist countries of Eastern Europe pointed out that the terms on which loans and credits were granted to developing countries by developed market-economy countries had deteriorated, with a resultant increase in the outflow of financial resources from the developing countries and a rise in their external indebtedness. They supported the demands of the developing countries, and pointed out that the activities of the international credit organizations, including the terms on which they granted credits, were intended to promote the economic growth of developing countries. The negative effect for the developing countries was that under loans from developed market-economy countries they received goods at augmented prices and were compelled in many cases to repay those loans in convertible currency. It was essential, with regard to the terms on which loans were granted, that the recommendations of the first session of the United Nations Conference on Trade and Development should be implemented by all countries. The representative of one socialist country submitted that a lightening of the burden of external indebtedness could be achieved by treating as a repayment any sum already paid out by the developing countries in the form of interest on loans and credits at a rate of interest exceeding 3 per cent. Representatives of the socialist countries of Eastern Europe pointed out that the credits granted by them served to finance the economic growth of individual developing countries, and that the annual rate

of interest did not exceed 3 per cent. The credits were repaid in goods which were traditional exports of the developing countries concerned, including manufactures and semi-manufactures and also in the form of deliveries of goods produced with the equipment constructed with the help of the socialist countries of Eastern Europe. Goods furnished under credit arrangements were supplied at the same prices at which transactions were concluded in normal trading. The terms of economic and technical co-operation by socialist countries of Eastern Europe with the developing countries had had a definite and positive effect on certain changes in the nature of the assistance provided by the Western countries. Representatives of socialist countries of Eastern Europe also pointed out that the key factor in providing assistance to the developing countries was the orientation of that assistance and whether it really contributed towards enhancing the economic independence of developing countries. The aid given by socialist countries was primarily devoted to the creation and development of productive forces in major sectors of the economies of the developing countries. Representatives of socialist countries of Eastern Europe agreed with the view that the present over-all terms of assistance were too hard, but pointed out that the terms of assistance given by socialist countries were very soft since interest rates did not exceed 3 per cent and, in addition, provision was usually made for repayments through the export of traditional goods or of manufactures produced by plants erected with external assistance provided by these countries. Some socialist countries of Eastern Europe expressed the view that there was uncertainty in evaluating the terms of capital flows, particularly in respect of private capital. One of these representatives thought it necessary that the secretariat should make a comprehensive study of over-all outflows from developing countries to donor countries.

49. Representatives of all groups of countries agreed that the indebtedness of developing countries, in particular their mounting debt-service obligations, was a matter of serious concern.

50. Representatives of developing countries attributed the seriousness of the debt problem to excessively hard terms of assistance in the past. They further suggested that even a significant softening of terms of new assistance would not be able to prevent critical situations emerging in a number of countries in the next few years. In this connexion, they favoured the device of an early warning system and also the rescheduling of past debts on terms and conditions which would not interfere with an orderly implementation of development plans. Some of them pointed out that the payments on account of royalties, interest, dividends and profits and the repatriation of capital added to the heavy burden already placed on their economic development efforts and suggested that appropriate measures should be taken to obviate these effects.

51. Representatives of developed market-economy countries agreed that the terms of assistance in the past had often not taken into account the long-term character of the development process. However, in the view of many of them the precise causes and cures of the problem

varied from one country to another and the problem should be dealt with on a case-by-case basis. A number of those representatives agreed that whenever rescheduling became necessary, the terms of rescheduling should be flexible, not only taking account of the economic position of debtors but also ensuring an equitable distribution of the burden among creditors. However, many of these representatives supported the device of an early warning system and felt that the joint reporting system of IBRD and OECD and also the efforts of IMF should prove adequate to the task.

52. Representatives of the socialist countries of Eastern Europe observed that the important general reasons for the growth in the external indebtedness of the majority of the developing countries were the worsening, in regard to these countries, of the terms of trade obtaining in the world capitalist market, and the hard terms for the financial assistance they received from the developed market-economy countries and the international financial organizations. The problem of the external debts of the developing countries required closer study and an analysis of reasons for the existing situation. A number of those representatives stressed the adverse effects of the outflow of capital from the developing to developed market-economy countries. They suggested that the decrease of that outflow of capital could be regarded as an alternative for an increase in the gross inflow of capital into the developing countries, and that it could play an important role in improving the over-all financial position of these countries. In the opinion of those representatives, practical measures in that field were urgently needed. Such measures could include studies on the volume and forms of the outflow of capital and on possible ways and means for its limitation.

53. Most representatives of developing and developed market-economy countries agreed that commercial credits had considerably aggravated the problem of indebtedness in a number of developing countries.

54. Representatives of developing countries referred to the relatively hard terms on which commercial credits were made available and argued that, notwithstanding their hard terms, developing countries were forced to rely on them on account of the inadequacy of current flows of aid available on softer terms. They suggested that developed countries should subsidize interest rates on suppliers' credits and should also seek to lengthen grace and maturity periods applicable to them. They supported the suggestion contained in the Charter of Algiers that an inter-governmental group should be set up to deal with all aspects of commercial credits, including suppliers' credits (TD/38, part two, C.2 (i)). A number of representatives suggested that the availability of commercial credits from developed countries placed an added handicap on stepping-up exports of manufactured goods from developing countries which generally lacked the ability to extend such credits.

55. Some representatives of developed market-economy countries drew a distinction between commercial credits and development assistance. Some of them, in particular, argued that the primary objective of the former was to promote exports of the developed country granting such credits and not necessarily to promote development.

As such, they were opposed to subsidizing interest rates on commercial credits. Some other representatives of developed market-economy countries stated that if used prudently, as in the case of joint financing or the financing of projects worthwhile from a balance-of-payments standpoint, commercial credits could promote development. Many of those representatives felt that developing countries had the primary responsibility for not accepting suppliers' credits in amounts and on terms and conditions seriously straining their debt-servicing capacity. Some of them suggested that the problem of striking the right balance between suppliers' credits and other forms of capital flows to developing countries could best be tackled on a multilateral basis through consortia and consultative groups. One of those representatives favoured the setting up of an inter-governmental group to analyse various aspects of commercial credits, but this representative was opposed to the creation of any new international authority to control these credits.

56. Some representatives stressed the need of having adequate studies undertaken by international agencies on the problems that commercial credits, including suppliers' credits, posed for developing countries as exporters and on the possibility of implementing some international machinery for insurance of credit and for rediscounting commercial drafts relating to exports of developing countries, as stated in recommendation A.IV.14. of the first session of the Conference.⁴ They also pointed to the need for loans to enable developing countries to subsidize their export credits so as to make their terms competitive with those offered by developed countries.

57. Most representatives agreed that tying of aid, particularly when aid was tied not only to the source of procurement of goods but also as to the nature of goods, tended to reduce the real value of aid both by restricting the developing countries' opportunities of benefiting from the prices and quality advantages which accrued normally from a free choice of suppliers and by seriously limiting the choice of technology, projects and goods.

58. It was suggested that a centre be set up to provide information on the prices and quality of equipment and the terms of credit and also to assist developing countries in the preparation of suitable projects to be financed. It was further suggested by some representatives that one way of mitigating the effects of tied aid would be to institute a clearing house of tied currency permitting swaps among developing countries.

59. Representatives of developing countries called for measures both for a multilateral progressive untying of aid as also for mitigating the adverse effects of aid-tying on developing countries. They emphasized that in no case should aid be tied both by source of procurement and the nature of goods and also that waivers should be granted in favour of developing countries' exports. Representatives of developing countries suggested that economically advanced countries should consider the untying of aid within their respective groups and for

⁴ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 50 and 51.

purchases in developing countries. In that connexion developing countries emphasized the need for multilateralization of assistance as a method to overcome the problems of tied aid and the reliance of recipient countries on limited sources for financing their development. Several of the representatives of the developing countries felt that international competitive bids should be allowed even when aid was tied to the source of procurement and that developed countries should compensate the developing countries for the excess costs of tied aid. Several representatives stressed that tied aid should be granted on softer terms than untied aid. Some of them suggested that repayments of tied credits should also be tied to purchases in debtor countries.

60. Representatives of developed market-economy countries agreed on the need for both concerted and individual action to untie aid. Many of them stated that the double tying of aid, i.e. both by source of procurement and by the nature of goods, should be avoided. Some representatives of developed market-economy countries felt, however, that the current state of their balance of payments and of public opinion in their countries necessitated restrictions on procurement and that any precipitate action on untying under such circumstances could lead to a reduction in the volume of total aid. In the view of some of those representatives the immediate practical choice was to concentrate on measures to mitigate any adverse effects of tying on developing countries, though it was also pointed out that the extent of such effects was difficult to identify because of scanty information. Some representatives urged that countries in strong balance-of-payments positions should untie their assistance. Support was given by some representatives to the granting of waivers in favour of exports of developing countries and also to the practice of inviting international tenders even when aid was tied to the source of procurement. One representative expressed doubts about the administrative feasibility of arrangements to compensate for the excess cost of tied aid since it would be difficult to measure this excess cost with any degree of precision. Some representatives felt that more work was needed on the subject of tied aid and that the secretariat should continue its studies in this area.

61. Several representatives of developed market-economy countries and developing countries expressed the view that the international lending institutions should continue to apply, in the use of their resources, the principle of international competitive bidding.

Chapter IV

Supplementary financial measures

(Agenda item 12 (c))

62. The Chairman of the Inter-governmental Group on Supplementary Financing made a statement at the 16th meeting introducing this item (TD/II/C.3/L.9).

63. For the consideration of this sub-item the Committee had before it the final report of the Inter-governmental Group on Supplementary Financing (TD/33/

Rev.1)⁵ and the joint statement by the developing countries members of the Inter-governmental Group (TD/41).

64. All representatives of developing countries who spoke stressed the need for a scheme of supplementary financing and many called for the early establishment of such a scheme on the basis of the report prepared by the IBRD Staff. Many representatives made reference to the general assessment of the proposals of the IBRD staff for supplementary financial measures. Representatives of the majority of developing countries supported the assessment of the Inter-governmental Group that "although a number of questions, some of them important, required further consideration, the objective set out in part A of the recommendation (A.IV.18) can be achieved by a scheme with the essential characteristics of the Bank staff scheme". Many of the representatives of the developing countries stated that the scheme should embody the elements set out in the joint statement by developing countries members of the Inter-governmental Group.

65. Representatives of some developed market-economy countries also supported the majority assessment of the Inter-governmental Group quoted above. Representatives of many other developed market-economy countries, however, expressed reservations about the suitability of the IBRD staff proposals to deal with the problem of disruption of development plans and programmes by unforeseen export shortfalls. Most of those representatives expressed reservations about some important features of the IBRD staff scheme and suggested that before adopting a scheme for supplementary financing it was necessary to consider more carefully other means of achieving the objectives of recommendation A.IV.18, especially those listed in chapter IV of the report of the Inter-governmental Group. In the view of some representatives of developed market-economy countries, implementation of supplementary financial measures might detract from efforts to establish commodity stabilization agreements, or the organization of markets. The possibility that supplementary finance might delay necessary structural changes in recipient countries was also mentioned.

66. The representative of one of the socialist countries of Eastern Europe stated that the problem should be considered in a wider context because the need for supplementary financing arose from the one-sided development of the developing countries and from falling prices of raw materials. He also stated that the supplementary financing scheme would not eliminate the main causes leading to an unexpected fall in the export receipts of the developing countries. The most effective method in that respect would be the conclusion of international commodity stabilization agreements. The same representative further said that financing by international credit institutions to prevent the disruption of development programmes by export shortfalls should be considered as partial compensation for the effects on developing countries of their past relations with capitalist economies.

⁵ *Supplementary Financial Measures — final report of the Inter-governmental Group on Supplementary Financing* (United Nations publication, Sales No.: E.68.II.D.3).

67. It was mentioned by one representative that the scheme as envisaged would be discriminatory. In his view it should operate on the basis of grants, not credits.

68. Most representatives accepted that policy understandings between the agency administering the scheme and developing countries were a necessary element of supplementary financial measures. Some representatives expressed concern that the sovereignty of participating countries could be infringed by the extent of the policy understanding envisaged in the IBRD staff proposals.⁶ Some others considered that the type of policy understanding envisaged in the IBRD staff scheme was too ambitious and therefore impractical. Further examination was considered necessary in this regard.

69. In the Committee's consideration of reasonable export expectations, representatives of most developing countries argued that an export norm, from which export shortfalls might be measured, was an essential part of the scheme and that export projections constituted a valid basis for the calculation of financial claims as envisaged in the IBRD staff proposals. One of those representatives, however, felt that it was not necessary to make *ex ante* determination of reasonable export expectations and that an *ex post* determination of an export shortfall would be practical. One representative of a developing country took the view that a reference price would be a sufficient basis for the determination of reasonable expectations. Some representatives of developed market-economy countries supported the view that export projections constituted an essential device to quantify reasonable expectations. A number of representatives of developed market-economy countries expressed the view that export projections, in particular projections of from four to six years, were not a reliable basis for the calculation of financial requirements as envisaged in the IBRD staff proposals. In the view of some other representatives of developed market-economy countries an *ex post* determination of export shortfalls was more practical. A few representatives of developed market-economy countries questioned why adverse movements in items other than export earnings should not be compensated and were in doubt as to the contribution of such a scheme in terms of the over-all flow of assistance.

70. Many representatives held the view that supplementary financial measures and commodity stabilization arrangements, including the organization of markets, were complementary to one another. In the view of those representatives, the successful adoption of commodity stabilization schemes would reduce to some extent the elements of instability and uncertainty of export earnings and would thus serve to reduce the cost of a scheme for supplementary financing. Some representatives felt that supplementary financing was a palliative and that its adoption would tend to divert attention from the fundamental remedies which lay in commodity stabilization measures. Many representatives referred to the studies now in progress in the IBRD and IMF pursuant to resolution 22-9 on stabilization of prices of primary products, adopted on 29 September 1967 by the Board of

Governors of IMF, in joint session with the Boards of Governors of IBRD, IFC and IDA.⁷ A number of these representatives felt that the findings of these studies would be useful in reaching a decision on a scheme for supplementary financing. Many other representatives felt that it would not be desirable to delay a decision on supplementary financing until the results of IBRD/IMF studies were made known. The representatives of IBRD and IMF stated that it was not possible at the present time to provide precise information as to the content or exact completion date of the studies, but in line with the resolution they were making every effort to prepare the studies in time for the 1968 annual meetings of IBRD and IMF.

71. During the Committee's consideration of the relationship between supplementary finance and the resources of IMF, in particular its Compensatory Financing Facility, many representatives expressed the view that further clarification of this relationship was needed. The view was expressed by the representative of one developed market-economy country that it was possible that the provision of the Compensatory Financing Facility had so alleviated the difficulties posed by export fluctuations that refinancing facilities for compensatory finance would be a sufficient measure to deal with these problems. Other representatives took the view that there were several important differences between the IBRD staff scheme and the Compensatory Financing Facility, both as to purpose and methods. In their view, compensatory finance was not an alternative to supplementary finance.

72. Most representatives agreed that the scheme would not imply an open-ended commitment for the provision of financial resources by the countries contributing to its operation. In the view of those representatives, a system of rationing might prove to be necessary in the operation of the scheme. Some representatives doubted whether the cost assessments in the IBRD staff proposals would, in fact, be an adequate basis for the scheme's operations. One of these representatives felt that it was unlikely that an efficient and equitable system of rationing could be devised.

73. Representatives of some developed market-economy countries and of most developing countries expressed the view that the Conference should formulate an agreement on the principles to govern the operation of a supplementary financing scheme. They hoped for the early implementation of a scheme for supplementary financing essentially based on the proposals of the IBRD staff, taking into account the work and final recommendations of the Inter-governmental Group on Supplementary Financing. Representatives of many other developed market-economy countries found it difficult to support that suggestion. In their view the next step required was the reconvening of the Inter-governmental Group to examine the essential features of a scheme and further consider the unresolved questions. In the view of some of those representatives, the terms of reference of the Inter-governmental Group should be modified to allow it to consider adequately alternative ways of dealing with the

⁶ *Supplementary Financial Measures — a Study requested by the United Nations Conference on Trade and Development, 1964* (International Bank for Reconstruction and Development, December 1965).

⁷ See IMF, *Summary Proceedings, Annual Meeting, 1967*, p. 280.

problem and the relative importance of export shortfalls as a factor tending to disrupt development programmes. Some representatives suggested that the size of the Inter-governmental Group might be expanded.

Chapter V

Compensatory financing facility

(Agenda item 12 (d))

74. The Director of the New York Liaison Office of UNCTAD made a statement at the 22nd meeting introducing the subject (TD/II/C.3/L.10).

75. Representatives of developing countries and developed market-economy countries who spoke during the discussion on the sub-item noted with appreciation that in response to recommendation A.IV.17⁸ of the first session of the Conference, the IMF had amended its Compensatory Financing Facility in September 1966 and that, recently, increasing use had been made of this Facility by developing countries.

76. Representatives of developing countries pointed out that the IMF had not accepted all the suggestions contained in recommendation A.IV.17 and they argued in favour of a further review and liberalization of the Facility along the lines suggested in the Charter of Algiers. They noted with regret that although in accordance with recommendation A.IV.17, the Fund Facility had been extended to permit outstanding drawings up to an amount equivalent to 50 per cent of a member's quota, the acceptance of that recommendation was qualified by the fact that except in the case of shortfalls resulting from disasters or major emergencies, compensatory drawings would not be increased by a net amount of more than 25 per cent of the member's quota in any twelve-month period. In the view of those representatives, members should be entitled to draw the entire 50 per cent of the quota immediately if they so desired. They also expressed dissatisfaction regarding the stricter conditions applicable to compensatory drawings in the second 25 per cent of the quota as compared with those governing drawings in the first 25 per cent of the quota: whereas in the case of compensatory drawings within the first 25 per cent of the quota, the Fund has to be satisfied that the member *will* co-operate with the Fund in an effort to find, where required, appropriate solutions for its balance of payments, compensatory drawings in excess of 25 per cent of quota are to be granted only if the Fund is also satisfied that the member *has been* co-operating with the Fund in an effort to find, where required, appropriate solutions for its balance-of-payments difficulties. The representatives of developing countries suggested that conditions applicable to the second 25 per cent of the quota should not be more strict than those applicable to the first 25 per cent. The same representatives called for an extension of the period of repurchase of compensatory drawings and suggested that repurchase should be linked to the recovery of exports rather than to a rigid outer limit of from three

to five years. They further suggested that in case there were difficulties in extending the period of repurchase, provision should be made for a system of refinancing of compensatory drawings in case exports did not recover. Many of those representatives argued that the export shortfalls should be calculated in real terms, i.e., after taking into account the effects of changes in import prices, and in that connexion they felt that the statistical difficulties in adopting such a course of action were not insoluble. Many representatives also suggested that export shortfalls should be calculated on the basis of exports of three normal years or more, preceding the payment of compensation. Several representatives felt that the IMF quotas of developing countries were inadequate as compared with their needs. One representative of a developing country pointed out that since under the present rules the interest liability to the IMF of a member State varied directly with the magnitude as well as the maturity of outstanding drawings, the cumulation of both types of drawing hurt the developing countries and was not in accord with the emerging debt-service position of these countries as a whole.

77. The representative of the IMF stated that the more substantive measures recommended in recommendation A.IV.17 had been implemented. As for refinancing of compensatory financing obligations, he said that it was possible on a short-term basis. He also said that the IMF believed that the present method of calculating shortfalls was the most valid one and resulted in a volume of assistance as favourable as that of the criterion proposed in recommendation A.IV.17. He stated that in view of the fact that only eighteen months had passed since the revision of the Facility, more experience was regarded as necessary before further changes in the operation of the scheme could be contemplated.

78. Representatives of developed market-economy countries expressed their satisfaction with the amended IMF Facility and further stated the IMF should continue to review the Facility and in that context could consider suggestions contained in the Charter of Algiers. The same representatives felt, however, that as the new system had been in operation only for about eighteen months, much more experience would have to be gained before contemplating a further revision. Some of those representatives expressed the view that refinancing of compensatory drawings was still an open question but they felt that this question was also relevant in the context of a scheme for supplementary financial measures. In that connexion, they suggested that the relationship between compensatory financing and supplementary financial measures needed a further examination. One of those representatives stated that long-term lending could endanger the liquidity structure of IMF.

Chapter VI

International monetary system: issues relating to development finance and trade of developing countries

(Agenda item 12 (e))

79. The Director of the New York Liaison Office of UNCTAD made a statement at the 24th meeting introducing this item (TD/II/C.3/L.12).

⁸ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 52.

80. Several representatives of developed and developing countries welcomed the adoption by the Board of Governors of the IMF at their 1967 meeting of an agreed Outline of a Facility based on Special Drawing Rights in the Fund⁹ as an important contribution to the growth of international monetary co-operation. Many representatives expressed the hope that the contingency plan based on the agreed outline would be ratified by members of IMF at an early date and several of them wished that its activation would take place as soon as possible. In that connexion several developed market-economy countries stated that the timing of the activation should be decided upon by a collective judgement of the Governments of member States on the shortage of international liquidity.

81. The majority of the representatives of developing countries, while welcoming the fact that agreement had been reached on the full participation of developing countries in the scheme for the creation of special drawing rights, stressed that the benefit of the scheme to developing countries was likely to be limited in view of the high percentage of votes required to implement it and their relatively small share of total IMF quotas. The same representatives emphasized that in conformity with the basic objectives of international monetary reform, it would be appropriate to establish a link between the creation of international liquidity and provision of additional development finance. Some of these representatives felt that the link could be established by all member States of IDA included in schedule A, part I of the Articles of Agreement of the Association undertaking to transfer a specified proportion of new drawing rights created in their favour to IDA and possibly to other international development institutions. Some representatives urged that the IMF should continue to introduce selective increases in the quotas of developing countries so as to enable them to benefit as equitably as possible from the special drawing rights scheme. One representative of a developing country stated that in any allocation of special drawing rights, developing countries should receive a higher proportion than that indicated by their present quotas in IMF. This representative further stated that international monetary reform should take into account the need to guarantee the value of reserves of developing countries invested in long-term securities in developed countries. The point was also made by some representatives that the developing countries had an abiding interest in the efficient functioning of the international monetary system and with this in view they should participate actively in all matters relating to its reform.

82. A number of representatives of developing countries referred to the review undertaken by the Executive Directors of IMF of the existing rules and practices governing the Fund's traditional activities and stressed that any revision of the present rules and practices must take account of the interests of developing countries and that no attempt should be made to render the Fund's policies governing drawings in the credit branches more restrictive.

83. One representative of a developing country expressed the view that the link should take the form of unutilized additional reserves at the end of each period being transferred to IDA for the purpose of development financing.

84. Representatives of developed market-economy countries emphasized that the new scheme would confer benefits on developing countries. Some of them stressed that in addition to their direct participation in the distribution of special drawing rights, developing countries would gain in terms of additional export opportunities, more stable terms of trade and less restrictive conditions on trade and development assistance which could be expected to result from a more adequate level of global reserves. However, many representatives of developed market-economy countries were opposed to the establishment of a link between the creation of liquidity and the provision of development finance. In the view of those representatives, the transfer of long-term resources to developing countries should be treated separately from the creation of liquidity. One of those representatives, however, felt that the question of the link needed further examination and that the first priority must be given to get the new asset established and accepted in its own right.

85. Representatives of the socialist countries of Eastern Europe stressed that all countries had a legitimate interest in international monetary reform and that in accordance with the principle of universality accepted in General Assembly resolution 2208 (XXI), UNCTAD was the most representative and competent organ for discussion of that question. In the view of many of those representatives, the scheme for the creation of special drawing rights would confer only a small benefit on developing countries and would strengthen the position of a few privileged countries, especially the reserve currency countries. One of those representatives advocated a rise in the price of gold as a more effective means of solving the growing shortage of international liquidity and suggested that the UNCTAD secretariat should study the role of gold in international monetary arrangements. Another of these representatives — supported by the representative of a developing country — drew attention to the losses of developing countries accruing from the relatively lower yield of their foreign exchange reserves compared to their foreign indebtedness which bore higher interest rates. The representative of a developing socialist country said that the plan was discriminatory; would increase the disadvantages of weighted voting; would mean that the countries whose quotas were largest would get the bulk of the increase in liquidity, and did not establish a link between the creation of new liquidity and the provision of development finance. The fact that the system might be formally approved did not mean that it could actually be established because 85 per cent of the votes would be required to implement it.

Chapter VII

Action taken by the Committee on the draft resolutions, recommendations and proposals before it

86. The Committee received a number of draft resolutions, recommendations and suggestions submitted by delegations. In addition, the Committee received a series

⁹ See IMF, *Summary Proceedings, Annual Meeting, 1967*, pp. 272-279.

of notes by the Chairman seeking to reflect the extent of agreement reached during the Committee's work on various items of its agenda. Although a substantial measure of agreement was achieved, the Committee was unable, in the time available, to finalize agreed recommendations on those matters. It therefore submits the

abovementioned drafts, listed in appendix I, for consideration and decision by the Conference. The preliminary remarks of delegations on these documents are contained in the summary records of the Committee. The notes by the Chairman referred to above are reproduced as appendix II to this report.

APPENDICES

Appendix I

DRAFT RESOLUTIONS, DECISIONS AND DECLARATIONS SUBMITTED TO THE THIRD COMMITTEE

1. Financial resources and requirements of developing countries and measures to accelerate their economic development

INCREASING THE FLOW OF INTERNATIONAL PUBLIC AND PRIVATE CAPITAL

(Agenda item 12 (b) (i))

OUTFLOW OF FINANCIAL RESOURCES FROM DEVELOPING COUNTRIES

Draft resolution submitted by Bulgaria, Hungary and the Union of Soviet Socialist Republics (TD/II/C.3/L.13)

The United Nations Conference on Trade and Development,

Aware of the growing insufficiency of financial resources in the developing countries and the importance of these resources for their economic development,

Referring to General Assembly resolution 2276 (XXII) of 4 December 1967 on the outflow of capital from developing countries and measurement of the flow of resources to developing countries,

Taking into account that in accordance with the above-mentioned General Assembly resolution the Secretary-General of the United Nations is requested to include, in the regular report on the international flow of long-term capital and official donations statistics — when these can be obtained — of reverse flows of capital, from the developing countries assessing their significance in relation to total financial transfers and giving an analysis of factors affecting their flows,

Noting that the outflow of financial resources from the developing countries — mainly in the form of exportation of profits on foreign capital — is steadily increasing and thus obstructs the achievement of the set targets of economic growth in these countries,

Recognizing that foreign capital invested in the developing countries must be utilized in the interests and to the benefit of the developing countries themselves, in accordance with their development plans and their internal legislation,

Recognizing further that not all forms and channels for the outflow of financial resources from the developing countries have been adequately studied,

1. Requests the Secretary-General of the United Nations to continue the studies of the outflow of capital from the developing countries, taking into account the discussion of this question at the second session of the United Nations Conference on Trade and Development;

2. Requests the Secretary-General of UNCTAD to prepare, taking into account the date contained in the relevant reports and studies of the Secretary-General of the United Nations, a study on the possible ways and means for curbing the outflow of financial resources from the developing countries and to submit these proposals to the Trade and Development Board at its eighth session;

3. Recommends the Trade and Development Board to examine this problem, having in view the proposals submitted by the Secre-

tary-General of UNCTAD, and to adopt the necessary recommendations for practical measures aimed at curbing the outflow of financial resources from the developing countries.

2. Financial resources and requirements of developing countries and measures to accelerate their economic development

INCREASING THE FLOW OF INTERNATIONAL PUBLIC AND PRIVATE CAPITAL

(Agenda item 12 (b) (i))

TARGET

Draft proposal submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Vietnam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia, and Zambia (TD/II/C.3/L.15)

1. Each economically advanced country should provide annually to the developing countries financial resource transfers of a mini-

^a "Net financial resource transfers" means the following:

(1) Net official financial resource transfers consisting of:

(a) Official cash grants and grants in kind including grants for technical assistance but excluding grants for defence purposes;

(b) Sales of commodities against local currencies exclusive of utilization of such currencies by the donor country for its own purposes;

(c) Government lending for periods exceeding ten years, net of repayment of principal and interest;

(d) Grants and capital subscriptions to any multilateral financial institution;

(e) Net purchases of bonds, loans and participations from multilateral financial institutions exclusive of interest received on account of these transactions.

(2) Net private financial resource transfers consisting of private capital on the basis of net long-term movements, originating with residents of the developed countries but excluding financial transactions with a maturity of less than ten years. These long-term movements are thus net of repatriation of principal, disinvestment and retirement of long-term loans, portfolio assets, and commercial debt, and of reverse flows of investment income. They are not net of reverse flows of capital originating with residents of developing countries.

imum net amount^a of 1 per cent of its gross national product (GNP) at market prices in terms of actual disbursements not later than the end of the current United Nations Development Decade.

Each economically advanced country should, however, take steps to see that the proportion that its net financial resource transfers bears to its GNP at present is not decreased.

2. Within the 1 per cent target referred to in paragraph 1 above, each economically advanced country should provide a minimum of 0.80 per cent of its GNP by way of net official financial resource transfers.^b This target shall be increased progressively. Any gaps remaining in the achievement of the target of one per cent referred to in paragraph 1 should be made good by additional government transfers.

Each economically advanced country is requested to consider the operation of its official aid programme on a revolving fund basis so that the repayments of amortization and interest charges on previous loans could be made available for fresh assistance (exclusive of reinvestment) to developing countries.

3. Each economically advanced country is requested to undertake to announce at the seventh session of the Trade and Development Board the measures it intends to take to implement these targets and the stages in which these targets will be reached. In addition, each economically advanced country should report biannually to the Trade and Development Board on its performance in relation to the target in terms of actual disbursements. Developing countries should similarly report on the net financial resources received by them and both these reports should be made in forms to be prescribed by the Board at its seventh session. The Secretary-General of the UNCTAD should assess these reports in a report to the Trade and Development Board which will consider his report and take appropriate action on it.

3. Financial resources and requirements of developing countries and measures to accelerate their economic development

IMPROVING THE TERMS AND CONDITIONS OF AID ALLEVIATING THE PROBLEMS OF EXTERNAL INDEBTEDNESS

(Agenda item 12 (b) (ii) and (iii))

TERMS AND CONDITIONS OF AID

Draft proposal submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Vietnam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia, and Zambia (TD/B/C.3/L.16)

1. By the end of 1968 the norms of lending laid down by General Assembly resolution 2170 (XXI) of 6 December 1966 and the Development Assistance Committee of the Organization for Economic Co-operation and Development should be reached. Special efforts to soften the terms of lending should be made by those economically advanced countries who are now farthest from these norms.

^a "Net official financial resource transfers" means item (1) (a) to (e) in foot note ^a.

2. The Secretary-General of the United Nations Conference on Trade and Development is requested to study, in consultation with the International Bank for Reconstruction and Development (IBRD), how a multilateral interest equalization fund should be created within existing international lending institutions to cover the interest margin between loans obtained on international capital markets and concessional development loans. Such a study should be prepared in the course of 1968, for presentation to the 1969 session of the Committee on Invisibles and Financing related to Trade.

3. By 1975, all development lending, both multilateral and bilateral, should be on terms currently applied by the International Development Association (IDA), with suitable arrangements made to enable developing countries not now eligible to avail themselves of these terms to do so.

4. Pending the general adoption of IDA terms, there should be a considerable lowering of interest rates and a considerable increase in maturities and grace periods.^c

5. The Conference recommends that the secretariat of UNCTAD should study, in consultation with IBRD, the conditions under which the "Bisque" clause in some form may be introduced in loan contracts between developed and developing countries. The objectives of the "Bisque clause" are to avoid disruption of development by waiving interest and postponing amortization payments payable in years of foreign exchange stringency. The results of such a study should be presented to the next session of the Committee on Invisibles and Financing Related to Trade.

6. External finance should be made available both for programmes and projects and should include local costs where necessary. It should also be on a continuing basis to cover plan programmes over a period of years. Appropriate steps should be taken to shorten the time required for considering and disbursing development finance.

7. An inter-governmental group with equitable representation of developed and developing countries should be established not later than June 1968 to deal with all aspects of commercial credits, including suppliers' credits. This group is to:

(a) Discuss and agree on the means and measures necessary to soften the terms of commercial credits, including the provision to the developed countries of financial interest subsidies and of guarantees to their exporters with respect to trade with developing countries;

(b) Envisage a solution, along the same lines, for the problem of commercial credits already accumulated during previous years;

(c) Study how long-term credit lines should be granted by international financing institutions to developing countries, with the aim of allowing developing countries to subsidize interests, extend to their exporters guarantees in respect to commercial credits extended to other countries and refinance such credits.

8. Development finance should be untied rapidly and progressively through concerted action by each economically advanced country, with a view to reaching the goal of total untying by 1972. In the meantime, economically advanced countries should take immediate measures in this direction, such as:

(a) To prevent the present ratio of their tied aid to total aid from increasing;

(b) To eliminate the tying of aid to specific products;

^c For example, each economically advanced country should consider attempting to reach the following norms of lending by the end of the United Nations Development Decade; either

(a) Provide 85 per cent or more of their commitments in the form of grants, or

(b) (i) Provide 90 per cent of total commitments as grants or loans at 2.5 per cent interest or less and a repayment period of thirty years or more; (ii) Attain a minimum grace period of eight years.

(c) To allow aid funds to be used for purchases to be made in any developing country; and

(d) To allow aid funds to be used for purchases to be made in specified developing countries.

Developed countries with balance-of-payments difficulties should endeavour, during the interim period, to increase their grants-in-aid by amounts equal to the estimated increase in the costs of procurement of goods by the respective developing countries as a result of the tying of development finance.

9. Suitable measures should be adopted for alleviating the debt-servicing burden of developing countries by consolidation of their external debts into long-term obligations on low rates of interest. In case of imminent difficulties, speedy arrangements should be made for refinancing and rescheduling of loans on soft terms and conditions, taking into account the requirements of developing countries for sustaining an adequate rate of economic growth. The study of the means and the mechanism for implementing this recommendation should be presented by the Secretary-General of UNCTAD to the seventh session of the Trade and Development Board for consideration and appropriate action.

10. Each economically advanced country is requested to announce at the seventh session of the Trade and Development Board the measures it intends to take to implement these terms and conditions and the stages in which they will be reached. In addition, each economically advanced country should report annually to the Trade and Development Board on its performance in relation to these targets.

11. Developed countries should give free access to their capital markets to developing countries and to their regional development banks.

4. Growth, development finance and aid (synchronization of international and national policies)

(Agenda item 12)

EXTENSION OF THE OPERATIONS OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND ITS AFFILIATES

Draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia, and Zambia (TD/II/C.3/L.17)*

The United Nations Conference on Trade and Development,

1. *Recommends* that the Governments of countries which are members of the International Bank for Reconstruction and Development and its affiliates should request at the next meeting of the Board of Governors that the Bank should study the transformation and adaptation of the activities of the group to enable it to devote itself entirely to aid to the developing countries, and that to this end the necessary policy reforms should be introduced, with particular reference to the following considerations:

(a) That the Bank should consider the possibility of financing plans and programmes including, wherever necessary, local costs, instead of financing only projects as has been its traditional policy;

(b) That the Bank should consider the imperative need to ensure that loan periods shall be longer and interest rates easier for developing countries;

(c) That the Bank should enter into negotiations with the debtor developed countries to examine the possibility of advance payment of their debt balances;

(d) That the Bank should increase its aid to countries which still have no direct access to international capital markets and to those developing countries which have not yet received adequate international aid;

(e) That the Bank should enlarge its loan policy with a view to giving effective financial assistance to projects of non-private and mixed enterprises engaged in industrial activity, especially those which are working in strategic areas of development;

(f) That the Bank should consider financing public health projects and programmes and should broaden its operations relating to rural and urban development, education, agriculture and economic integration;

(g) That the Bank should agree to administer trust funds provided by various Governments and institutions, preferably of an untied nature;

(h) That the Bank should apply the legal provisions of its Articles of Agreement empowering it to give guarantees for loans to developing countries from capital-exporting countries; and second, to place bonds in both international and national markets;

(i) That the Bank should increase its co-operation with regional financing institutions, and where appropriate should grant credits jointly with regional banks and with banks and corporations engaged in the field of integration;

(j) That the Bank should extend and broaden its consortium and consultative group services so that a larger number of developing countries can use them;

(k) That the Bank should co-operate with countries, at their request, in negotiations with creditor countries for the consolidation, conversion and re-negotiation of their external debts;

(l) That the operations of the International Finance Corporation should be expanded in the most effective possible way giving preference to undertakings in developing countries and particularly to those activities which fall within the process of economic integration;

(m) That the Bank should vigorously pursue negotiations with the developed countries in order that the International Development Association (IDA) may have at its disposal the additional funds needed to expand its activities as soon as possible;

(n) That IDA should broaden its lending policy so as to finance projects and programmes designed to correct regional imbalances in the developing countries;

(o) That in distributing its funds IDA should give attention to those developing countries which have not yet received adequate financial and technical aid and to the least-developed among the developing countries.

2. *Further recommends* to the Board of Governors of the Bank that the terms and conditions of development loans provided by the Bank, including interest rates, commitment charges and repayment periods, should be adapted to the particular needs of the least developed countries.

* Incorporating document TD/II/C.3/L.17/Corr.1.

5. Supplementary financial measures

(Agenda item 12 (c))

Draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Vietnam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia (TD/II/C.3/L.18)

The United Nations Conference on Trade and Development,

1. Approves the Joint Statement by the developing countries members of the Inter-governmental Group on Supplementary Financing in document TD/41, which declares:

"1. The efforts of developing countries to accelerate the pace of their economic development are severely hampered by uncertainty regarding their export earnings. In view of the crucial importance of foreign exchange in economic development, uncertainty regarding foreign exchange receipts renders orderly planning extremely difficult. Export earnings usually being the most important source of foreign exchange, unexpected export shortfalls can seriously disrupt otherwise sound development programmes. The developing countries, therefore, wish to reaffirm their strong support of recommendation A.IV.18 and to state that in their view a scheme along the lines of that recommendation is both desirable and feasible.

"2. The developing countries note that in its report the staff of the World Bank came to the conclusion:

"(a) That the problems of adverse movements in the export proceeds of developing countries is a genuine one, because of the disruptive effect on development;

"(b) That the existing international financial machinery does not include a mechanism designed to meet this problem;

"(c) That a feasible scheme of supplementary financing could be worked out. The developing countries strongly support this view, and note also that this view has received the support of several developed countries.

"3. The scheme should embody the following elements:

"(a) An export norm from which shortfalls may be measured;

"(b) A policy understanding;

"(c) Provision for the use of other available resources;

"(d) Clearly limited financial commitments by donor countries to a fixed and adequate amount, such amount to be additional to that which donor countries are now providing by way of development assistance;

"(e) Compatibility with the compensatory financing facility of the International Monetary Fund.

"4. It is indispensable for assistance under the scheme to be based on objective criteria. There is a general agreement in the Inter-governmental Group on the need for an export norm of some kind. The staff of the World Bank has proposed that the export norm be determined by export projections, and the developing countries support this approach as the appropriate method for interpreting 'reasonable expectations'. It may be noted that the drawing up of any development plan necessarily involves taking a view of export prospects, and under prevailing international practice the need for basic development finance is determined at least in part on the basis of prospective export

receipts and foreign exchange expenditure. What the scheme implies is that in so far as export receipts fall short of the level foreseen in the development plan, as accepted by the international community, efforts should be made to make good the shortfall, so as to permit the accepted plan to be implemented.

"5. The developing countries accept the view that it is necessary to ensure that supplementary finance is used for the purposes for which it is intended, namely to safeguard development plans against disruption due to export shortfalls that are beyond their control. To this end, they agree that countries should, at the beginning of each planning period, have a policy understanding with the Agency indicating the main lines of the economic policy that they intend to pursue. In addition, at the time of any shortfall, there should be a determination, by consultation between the Agency and the country concerned, of whether the drop in export income is due to circumstances beyond the control of the country concerned.

"6. It has been suggested in the Bank staff study that consultation between the Agency and member countries should take place on a continuous basis so as to ensure a prompt determination in the event of a shortfall. The need for such continuous consultation requires further examination. In any event, consultation under the scheme, whether continuous, or whether limited along the lines of paragraph 5 (above), would have to be consistent with the requirements of national sovereignty as defined by that country.

"7. The staff of the World Bank recommend the prior use of other foreign exchange resources, including reserves and the compensatory financing facility of the Fund, if available. The developing countries accept this proposal. At the same time they wish to point out that countries suffering export shortfalls should not be compelled to resort to credit facilities which are subject to onerous terms and conditions, or to run down their gold and foreign exchange reserves below prudent levels.

"8. The working out of a supplementary financing scheme should not interfere with IDA replenishment since financial obligations under the scheme could not arise for some considerable time ahead.

"9. The developing countries fully endorse the view that the scheme must not be established in such a way as to give rise to an open-ended commitment on the part of donor countries. They are satisfied that a workable scheme could be set up on the basis of a fixed commitment of \$300-400 million per annum for an initial five-year period as recommended by the staff of the World Bank. The developing countries accept the need for rationing as a method of last resort for reconciling claims upon the Agency with fixed resources. They are convinced that it is feasible to establish an equitable system of rationing on objective criteria.

"10. The developing countries see the need for further liberalization of the International Monetary Fund's compensatory financing facility, but they believe that the objectives of the supplementary financing scheme cannot be secured through such liberalization. Nor can they accept refinancing of the Fund facility as the sole or main objective of the scheme.

"11. On the other hand, the developing countries accept the view that the operations of the Agency should be compatible with those of the International Monetary Fund. This should be secured by consultation between the two institutions bearing in mind the views of the Fund on matters falling within its competence, such as the extent to which there should be recourse to the gold and foreign exchange reserves of member countries in meeting export shortfalls."

2. Approves further the general agreement by the Inter-governmental Group on Supplementary Financing (paragraph 39, section (a) of document TD/33/Rev.1)^a and the Charter of Algiers

^a United Nations publication, Sales No.: E.68.IID.3.

(TD/38), which indicate that the policy understanding envisaged in paragraph 4 and 5 of the document TD/41 between the Agency and the country concerned should not involve commitments which would infringe the sovereignty of any member country as defined by that country;

3. *Authorizes* the Inter-governmental Group, within the limits of the joint statement referred to above, to negotiate and decide on the features of the machinery for supplementary financing, including draft statutes and proposals for the financing of that machinery, in time for it to be submitted to the seventh session of the Trade and Development Board;

4. *Further authorizes* the Trade and Development Board to consider, with a view to their adoption, the features of the machinery for supplementary financing to be decided upon by the Inter-governmental Group, or any agreement which it may have reached, and to transmit the results of its consideration to the Administrators and the Board of Governors of the International Bank for Reconstruction and Development (IBRD) for study and implementation;

5. *Requests* the Executive Directors of IBRD to ensure that the Board of Governors of the IBRD will examine, before the annual meeting in 1969, any recommendation by the Trade and Development Board on measures of supplementary financing;

6. *Requests* the Governments of States members of the IBRD to ratify the system of supplementary financing which shall have been approved by the Trade and Development Board and by the Governors of the IBRD.

6. Financial resources and requirements of developing countries and measures to accelerate their economic development

INCREASING THE FLOW OF INTERNATIONAL PUBLIC AND PRIVATE CAPITAL

IMPROVING THE TERMS AND CONDITIONS OF AID (Agenda item 12 (b) and (ii))

Draft resolution submitted by Israel (TD/II/C.3/L.19)

The United Nations Conference on Trade and Development,

Stressing the urgent need to increase the flow of capital to the developing countries, on concessionary terms, in order to promote their economic growth,

Considering that such a flow can be augmented by facilitating the access of developing countries to capital markets,

Taking note of the Horowitz Proposal submitted at the first session of the United Nations Conference on Trade and Development^e and the studies carried out on that proposal,

Recommends:

(a) That developed countries grant an appropriate agency within the World Bank group access to their capital markets, and provide suitable guarantees for this purpose;

(b) That funds so raised be re-lent to developing countries on concessionary terms;

(c) That a multilateral interest equalization fund be established to cover the difference between the interest prevailing on the capital markets and the concessionary rates paid by the borrowing nations;

(d) That special provisions should be made to minimize the impact of this proposal on the balance-of-payments of developed countries, while preserving its multilateral and untied character;

(e) That the Secretary-General of UNCTAD, taking note of document TD/7/Supp.11, should study the most suitable ways and time-table for the implementation of the proposal and make appropriate recommendations to the Committee on Invisibles and Financing related to Trade.

^e See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), annex F, paras. 151 *et seq.*

7. Growth, development finance and aid (synchronization of international and national policies)

COMPENSATORY FINANCING FACILITY

(Agenda item 12 (d))

Draft resolution submitted by Brazil, Ceylon, India, Pakistan and Uganda (TD/II/C.3/L.20)*

The United Nations Conference on Trade and Development,

Noting with satisfaction that the International Monetary Fund (IMF) has adopted some measures for the liberalization of the Compensatory Financing Facility in response to, recommendation A.IV.17¹ of the Final Act of the first session of the Conference which have already made possible more extensive use of the Facility by developing countries,

Recognizing that further liberalization of the Facility is necessary in order to make it accord better with the requirements and particular conditions of developing countries,

1. *Recommends* that adverse movements in import prices should render a developing country eligible for a drawing under the Facility;

2. *Further recommends* that drawings on the International Monetary Fund under the Facility should be immediately available up to 50 per cent of the countries' quotas in the Fund and that such drawings should not be subject to any conditions;

3. *Recommends* that the formula for calculating shortfalls be modified, taking as the basis the exports of each of the countries concerned either during three or more normal years preceding the payment of compensation;

4. *Also recommends* that the re-purchase liability in respect of outstanding drawings on the Facility should not arise within five years after the drawing and thereafter should fall due only in the years in which the countries' exports exceed the estimated trend value and should not exceed 50 per cent of the export excess.

5. *Further recommends* that the liability of the drawing country in respect of the interest charges on the outstanding compensatory drawings should be calculated separately from that in respect of ordinary drawings and that it should not attract the normal progressive interest provisions of IMF.

8. Growth, development finance and aid (synchronization of international and national policies)

INTERNATIONAL MONETARY SYSTEM: ISSUES RELATING TO DEVELOPMENT FINANCE AND TRADE OF DEVELOPING COUNTRIES

(Agenda item 12 (e))

*Draft resolution submitted by Brazil, Ceylon, India, Indonesia, Iran, Malaysia, Nigeria, Pakistan, Philippines, Syria, and Yugoslavia (TD/II/C.3/L.21/Rev.1 **)*

The United Nations Conference on Trade and Development,

Notes the agreement reached during the annual meeting of the Board of Governors of the International Monetary Fund in September 1967 in Rio de Janeiro on an Outline to create Special Drawing Rights within the Fund,² and the participation of the developing countries represented by their Executive Directors in the Fund in the

* Incorporating documents TD/II/C.3/L.20/Add.1 and 2.

¹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 52.

** Incorporating document TD/II/C.3/L.21/Rev.1/Add.1.

² Resolution No. 22-28, adopted on 29 September 1967 by the Board of Governors of the International Monetary Fund, in joint session with the Boards of Governors of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association (see IMF, *Summary Proceedings, Annual Meeting, 1967*, pp. 271-279).

negotiations that led to the agreement on the Outline. It urges the active participation of these countries in the operation of the new arrangements for Special Drawing Rights.

Stresses the importance of the early activation of the Special Drawing Rights scheme.

1. In view of the fact that, according to the Outline, the Special Drawing Rights will be distributed in proportion to member States quotas, developing countries will enjoy only limited direct benefits from the activation of the new scheme, the Board of Governors of IMF should continue to investigate and apply special increases of the quotas of developing countries so as to enable them to benefit equitably from the creation of Special Drawing Rights.

2. During the last annual meeting of the Board of Governors of IMF, the Executive Directors were also requested to review the rules and practices relating to the traditional activities of the Fund and practices relating to the traditional activities of the Fund and to propose amendments in the light of such review. The Conference (recommends) that IMF, in its operations and in considering possible changes in its rules and practices with regard to the use of and conditions attached to drawings, should not introduce any changes that would work to the disadvantage of the developing countries, and that any change should be in the direction of softening the terms and conditions applicable to drawings by the developing countries. As a first step in this direction IMF is urged to consider the extension of the repurchase period applicable to ordinary drawings by developing countries to seven to nine years.

3. With regard to the various proposals for forging a link between the creation of Special Drawing Rights and the provision of external development finance, Governments of States members of the IMF are urged to consider at an early date the establishment of such a link.

9. Financial resources and requirements of developing countries and measures to accelerate their economic development

INCREASING THE FLOW OF INTERNATIONAL PUBLIC AND PRIVATE CAPITAL

(Agenda item 12 (b) (i))

*Draft proposal submitted by Brazil, Burma, Ceylon, Ethiopia, India, Indonesia, Iran, Lebanon, Malaysia, Mexico, Philippines, Republic of Korea, Sudan, Syria and Yugoslavia (TD/II/C.3/L.22 *)*

Full-scale operation of the United Nations Capital Development Fund, which was brought into operation by General Assembly resolution 2186 (XXI) of 13 December 1966, will not only respond to the needs of developing countries for an increase in the flow of multilateral assistance but also to their needs for an increase in aid which is administered on the basis of objective and impartial criteria. In this context, member Governments, especially those of the economically advanced countries, are urged to make substantial contributions at the Fund's forthcoming 1968 Pledging Conference in order to enable it to operate in accordance with General Assembly resolution 2186 (XXI) and play an effective role as an integral part of the United Nations system.

10. Financial resources and requirements of developing countries and measures to accelerate their economic development

INCREASING THE FLOW OF INTERNATIONAL PUBLIC AND PRIVATE CAPITAL

(Agenda item 12 (b) (i))

*Draft resolution submitted by Afghanistan, Ethiopia, Ghana, India, Indonesia, Iran, Ivory Coast, Malaysia, Nigeria, Pakistan, Philippines, Republic of Korea, Republic of Viet-Nam, Saudi Arabia, Sudan, Syria and Uganda (TD/II/C.3/L.23/Rev.1 **)*

* Incorporating documents TD/II/C.3/L.22/Corr.1 and Add.1.

** Incorporating documents TD/II/C.3/L.23/Rev.1/Corr.1 and Rev.1/Add.1.

The United Nations Conference on Trade and Development,

Recognizing the important role of private foreign investment in supplementing official aid and transfer of technical services and know-how in the economic development of developing countries, *Bearing in mind* that continuing systematic study concerning the structure of foreign investment and its economic effects in the developing countries is essential, if foreign investment is to make its optimum contribution to development,

Recalling recommendation A.IV.12^h of the first session of the United Nations Conference on Trade and Development,

Taking note of Economic and Social Council resolution 1286 (XLIII) of 14 November 1967 which requested the Secretary-General of the United Nations to consult with Governments and international organizations concerned on their experience and attitudes to the various problems discussed in the Secretary-General's reportⁱ, and on opportunities and means of implementing the specific recommendations contained in that report,

Taking note of General Assembly resolution 2091 (XX) of 20 December 1965 and Economic and Social Council resolution 1201 (XLII) of 26 May 1967 which call on the Secretary-General of the United Nations to undertake thorough study of the manner, forms, conditions, costs, and effects of the transfer of patented and non-patented technology from foreign enterprises to enterprises in developing countries (both public and private).

1. *Requests* the Secretary-General of the United Nations in carrying out these studies in particular with a view to providing useful guidelines to both developing and developed countries with respect to foreign investment, transfer of patented and non-patented technological know-how for the formulation of policy measures, to bear in mind the importance especially of the following considerations:

(a) Criteria employed by developing countries for the acceptance of foreign investment;

(b) The extent to which foreign participation is accepted by developing countries and policy measures concerning this matter;

(c) The forms of foreign equity participation such as cash investment, supply of machinery and equipment, provision of technical services and know-how;

(d) Policies and practices governing foreign participation in managements;

(e) Fields of investment by foreign enterprises;

(f) Policies and measures of developing countries with regard to the use of patents and licences supplied by foreign enterprises;

(g) Restrictive business practices affecting the granting of patents, licences and know-how by foreign enterprises;

(h) Respective shares of income accruing to foreign enterprises from sale of patents, provision of technical know-how, supply of raw materials and parts, dividends, etc.;

(i) Price policy applied by foreign enterprises with respect to goods and services produced by these firms;

(j) Tax treatment of foreign investment, both in capital importing and capital exporting countries;

(k) Restrictions imposed by foreign enterprises on exports of products resulting from foreign investment and/or grant of patents and licences;

(l) The extent of re-investment undertaken by foreign enterprises from income earned in developing countries;

(m) Restrictions placed by the developed countries on the flow of private capital to developing countries, and by developing countries on repatriation of profits, capital, interest and dividends;

^h See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 49 and 50.

ⁱ *Private Foreign Investment in Developing Countries* (E/4446) (United Nations publication, Sales No.: E.68.II.D.2).

(n) The introduction of incentives by the developing and developed countries to encourage such flows;

2. *Requests* the Secretary-General in his studies on private investment flows and reverse flows to pay detailed attention to the gross flow of private capital to developing countries, and the outflow of funds in the form, *inter alia*, of amortization, interest, dividends, royalties, payments for raw materials, components, technical services and know-how;

3. *Further requests* the Secretary-General to undertake a study of the economic effects of foreign investment, as outlined in annex XIII to the report on *Measurement of the flow of resources to developing countries*.¹

The studies shall take into account:

(a) The level of economic development of the developing countries;

(b) Studies carried out by other agencies with respect to any of the items enumerated in operative paragraph 1. The studies shall, on the basis of their findings, also recommend policy measures and practices concerning foreign investment and transfer of technical services and know-how, and make any suggestions relevant to the purpose of the Study.

4. *Recommends* that the United Nations organs to which these various reports will be submitted make recommendations to Governments on appropriate actions, with a view to making foreign investment a more effective and useful instrument in economic development.

11. Financial resources and requirements of developing countries and measures to accelerate their economic development

INCREASING THE FLOW OF INTERNATIONAL PUBLIC AND PRIVATE CAPITAL

(Agenda item 12 (b) (i))

*Draft resolution submitted by Afghanistan, Indonesia, Iran, Malaysia, Philippines, Republic of Korea, Republic of Viet-Nam and Syria (TD/II/C.3/L.24 *)*

The United Nations Conference on Trade and Development,

Recalling UNCTAD recommendation A.IV.12, paragraph 7,^{*} which requested the International Bank for Reconstruction and Development (IBRD) to expedite its studies on multilateral investment insurance in consultation with governments in both developing and developed countries and to submit, by September 1965 at the latest, the result of its studies to the United Nations,

Expressing its deep regret that though the staff of IBRD has prepared a detailed draft for articles of agreement, neither the draft nor a progress report have been submitted,

Invites IBRD to transmit the detailed draft for articles of agreement and other associated studies carried out on multilateral investment insurance by IBRD to the Secretary-General of UNCTAD:

Recommends that the Committee on Invisibles and Financing related to Trade examine all such studies and the draft for articles of agreement and make suggestions to the Trade and Development Board on the most appropriate arrangement for multilateral investment insurance, it being understood that the system in question should not involve any direct or indirect costs to the developing countries;

Urges the member Governments of the Conference to take all the necessary measures for the early establishment of multilateral investment insurance following the adoption of respective decisions by the Board.

12. Financial resources and requirements of developing countries and measures to accelerate their economic development

INCREASING THE FLOW OF INTERNATIONAL PUBLIC AND PRIVATE CAPITAL

(Agenda item 12 (b) (i))

AID VOLUME TARGET

Draft proposal submitted by Greece, Spain, Turkey (TD/II/C.3/L.25)

1. Economic development entails mutually reinforcing efforts by developing and developed countries (those of the developing countries are considered under item 12 (b) (iv)). The developed countries, for their part, recognize their responsibility to provide increased resources to developing countries. The Conference accordingly stresses that, in view of the crucial role of external resources in helping to mobilize the domestic resources of developing countries, the efforts of developed countries in support of development should be further intensified.

2. In this connexion, the Conference notes with concern that, although some countries have sustained relatively large efforts and although some are increasing theirs, the total flow of financial resources from developed to developing countries has remained insufficient, having regard in particular to the growth in national income of the developed countries as a whole, and to the capacity of developing countries to put into effective use a greater volume of external assistance.

3. At the first session of the Conference in 1964 a target was established to be reached by the developed countries. Such a target is to be regarded as an incentive to greater efforts to provide resources rather than as either a ceiling or a suitable method for comparing the appropriate quantitative or qualitative development assistance efforts as between different economically advanced countries. Only some of the developed countries have as yet reached their target, in terms of net national income at factor cost. The other developed countries should make every effort to achieve this target, in the shortest possible time. Recognizing the need to accelerate the flow of financial resources¹ to developing countries² during the second United Nations Development Decade, the Conference recommends that each economically advanced country endeavour to supply financial resources to the developing countries of an amount approaching as nearly as possible to 1 per cent of its Gross National Product at market prices, having regard, however, to the special position of certain countries which are not importers of capital.

4. Official bilateral and multilateral flows are clearly required to meet many of the basic needs of developing countries. Accordingly developed countries should endeavour to ensure that such flows represent a more substantial part of the totality of financial resources provided. The Conference recognizes, however, that the resources which individual donor countries can provide differ widely in composition in view of the differences in their economic structure. Moreover private funds have their role to play, and in order to meet the increasing needs of developing countries, these as official flows should be promoted.

¹ United Nations publication, Sales No.: 67.II.D.17.

^{*} Incorporating documents TD/II/C.3/L.24/Corr.1 and Add.1.

² See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 50.

¹ As defined in foot-note 54 to recommendation A.IV.2 (see *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 44.

² For the purpose of coverage the definition of developing countries used by the Development Assistance Committee of the Organisation of Economic Co-operation and Development is adopted.

5. Progress should regularly be reviewed in terms of General Assembly resolution 1995 (XIX) of 30 December 1964 and Trade and Development Board resolution 19 (II) on the implementation of the recommendations of the first session of the Conference.

13. Growth, development finance and aid (synchronization of international and national policies)

(Agenda item 12)

Suggestion submitted by: Brazil, Ceylon, Greece, Netherlands, Philippines, Sweden, Tunisia, Turkey and Uganda (TD/II/C.3/L.26)

1. The Conference, in the light of its agenda items, reviewed and examined the trends and problems of financing related to trade and development of developing countries.

2. As a result, the Conference reaffirms its conviction that economic development is the common concern of the entire international community and that substantial increase of economic prosperity and well-being would strengthen peaceful relations and co-operation among nations.

Therefore, the Conference strongly urges that all member States pledge themselves to pursue such internal and external economic policies which would accelerate economic progress throughout the world, and, in particular, would promote in developing countries an adequate rate of growth, in order to narrow the existing gap in the standards of living between the developing countries and the developed countries.

3. Surveys and documents prepared by the secretariat of UNCTAD and other United Nations bodies show that since the first session of the Conference, there has been even a relative deterioration of the economic situation in most of the developing countries. Within the field of development financing, neither the volume, nor the terms of international assistance have significantly improved. The Conference notes with concern that, although some developed countries have made comparatively large efforts and that some are increasing their efforts, the total flow of financial resources from developed countries to developing countries has failed to keep pace with growth in the combined incomes of the developed countries as a whole, and with both the capability of developed countries and the needs of the developing ones.

4. Consequently, the Conference proclaims that both national and international action are urgently needed to cope with the problem of world poverty and that these actions may be realized only if there is sufficient political will, along with adequate support from public opinion and a well-defined global policy for economic development.

5. The Conference urges that national and international public information media should take the necessary steps to enlist the required political will and the support of world public opinion in favour of the policies and objectives to be pursued for increasing the economic prosperity of the world community.

In this connexion, it recommends that a small group of highly qualified experts from both developed and developing countries should be established, as early as possible, to study and to recommend measures on how to enlist the support of world public opinion. This group should be convened by the Secretary-General of the United Nations and should transmit its recommendations both to the General Assembly, the Trade and Development Board and to the Economic and Social Council.

6. The Conference welcomes and supports the proposal made by the President of the International Bank for Reconstruction and Development for a "grand assize" to review the last twenty years' experience with development assistance, in order to assess the results, clarify the errors and propose policies which would work better in the future.

7. As regards the formulation of a commonly agreed charter and a global strategy for economic development, the Conference welcomes

the United Nations General Assembly resolutions 2218 (XXI) of 19 December 1966 and 2305 (XXII) of 13 December 1967 and supports the actions recommended in them.

8. On its part, the Conference submits to the Secretary-General of the United Nations the following findings to be taken into account as the preliminary elements of a strategy for financing economic development, during the preparation of his report on "The framework of an international development strategy":

(Findings to be inserted)

14. Financial resources and requirements of developing countries and measures to accelerate their economic development

INCREASING THE FLOW OF INTERNATIONAL PUBLIC AND PRIVATE CAPITAL

(Agenda item 12 (b) (i))

SPECIAL MEASURES CONCERNING DEVELOPMENT FINANCE AND TECHNICAL ASSISTANCE

*Draft resolution submitted by Afghanistan, Algeria, Argentina, Cameroon, Central African Republic, Ceylon, Chad, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Ethiopia, Gabon, Guatemala, Guinea, Indonesia, Iran, Ivory Coast, Kenya, Liberia, Libya, Madagascar, Mauritania, Nigeria, Philippines, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Yugoslavia and Venezuela (TD/II/C.3/L.27 *)*

The United Nations Conference on Trade and Development,

Taking note of the report of the Working Group of Fifteen on special measures to be taken in favour of the least developed among the developing countries,¹

Recognizing that the objective of these measures is not to create discrimination among developing countries but to ensure that the least developed countries obtained due benefits so that all developing countries gained equitable results from international co-operation of member States of UNCTAD,

Recommends:

1. Grants for pre-investment and feasibility studies should be enlarged and the least developed countries should be given greater access to these funds;

2. The least developed countries should be given special technical and financial assistance for economic and resource surveys, formulation of development plans including the identification of priorities within these plans, and the development of specific programmes and projects. In this respect the United Nations Development Programme and the United Nations Industrial Development Organization should accelerate their assistance to the least developed countries in seeking out viable projects and promoting their financing by international financial institutions;

3. The developed countries should enlarge the resources of regional financial institutions to enable them to give adequate attention to their lending operations and technical assistance activities to the development needs of the least developed countries in their regions;

4. The volume of development loans and supplementary financial assistance provided to the least developed countries should be enlarged to enable them to establish adequate infrastructure and export-oriented industries;

5. A longer-term programme of technical assistance linked to the development plans of the least developed countries should be established;

* Incorporating documents TD/II/C.3/L.27/Corr.1 and Add.1.

¹ TD/38 and Add.2.

6. Within the policy of securing a general relaxation of the financial participation of developing countries in technical assistance projects, due consideration should be given to the particular problems of the least developed countries.

15. Financial resources and requirements of developing countries and measures to accelerate their economic development

IMPROVING THE TERMS AND CONDITIONS OF AID (Agenda item 12 (b) (ii))

SPECIAL MEASURES CONCERNING DEVELOPMENT FINANCE AND TECHNICAL ASSISTANCE

*Draft resolution submitted by Afghanistan, Algeria, Argentina, Cameroon, Central African Republic, Ceylon, Chad, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Ethiopia, Gabon, Guatemala, Guinea, Indonesia, Iran, Ivory Coast, Kenya, Liberia, Libya, Madagascar, Mauritania, Nigeria, Philippines, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Venezuela and Yugoslavia (TD/II/C.3/L.28 *)*

The United Nations Conference on Trade and Development,

* Incorporating documents TD/II/C.3/L.28/Corr.1 and Add.1.

Taking note of the report of the Working Group of Fifteen, on special measures to be taken in favour of the least developed among the developing countries, °

Recognizing that the objective of these measures is not to create discrimination among developing countries but to ensure that the least developed countries obtain due benefits so that all developing countries gain equitable results from the international co-operation of member States of UNCTAD.

Recommends:

1. The terms of the programmes — preferably inter-governmental — of assistance provided by the developed countries to the least developed countries for infrastructure, educational and health projects should be concessional in respect of interest, repayment and amortization periods;

2. As far as possible, the financial co-operation extended by the developed countries and international financial agencies should cover investments for comprehensive development programmes in the least developed countries, without prejudice to the financing provided for the execution of specific projects;

3. The terms and conditions of development loans and supplementary finance, including interest rates and repayment periods, should be adapted to the particular needs of the least developed countries.

° TD/38/Add.2.

Appendix II

NOTES BY THE CHAIRMAN OF THE THIRD COMMITTEE

Private foreign investment

Text submitted to the Third Committee

1. The Conference recalls recommendation A.IV.12^a of its first session which says among other things that foreign direct private investment should be integrated into the development objectives and priorities of the recipient countries as regards both the field of the activity and the form and terms of its operation.

2. The Conference recalls that the Agreed Statement on the Problems of Development^b considered that it would be useful to continue to study the measures which developed and developing countries could take to stimulate and promote the flow of private capital to developing countries.

3. The Conference notes the view of developing countries that private investment should be of permanent benefit to the host developing country, and that subject to nationally-defined priorities, and within the framework of national development plans, private investments may be encouraged by incentives and guarantees.

4. Private foreign investments can provide resources to developing countries for the promotion of economic growth. However, problems do arise in the relations between investors and host countries. It is clearly desirable to examine and attempt to resolve these problems in the interest of increasing the resources available to the developing countries and improving their effectiveness.

5. The report of the Secretary-General of the United Nations entitled *Promotion of Private Foreign Investment in Developing*

Countries^c and the report to UNCTAD entitled *The Role of Private Enterprise in Investment and Promotion of Exports in Developing Countries*^d contain comprehensive recommendations and proposals, and these valuable reports should be transmitted to governments, to the international organizations concerned, and through governments to interested national institutions for consideration.

6. The Conference recognizes that continuing systematic study concerning foreign investment and its economic effects in the developing countries is essential, if foreign investment is to make its optimum contribution to development.

7. The Conference endorses the proposals contained in document TD/II/C.3/L.23/Rev.1 [as amended] and requests the Secretary-General of the United Nations to bear in mind, in carrying it out, the considerations noted in that document and any others listed in document TD/35/Rev.1.

8. In this connexion the Conference notes that in accordance with General Assembly resolution 2276 (XXII) of 4 December 1967 the Secretary-General of the United Nations is requested to include in the regular report on the international flow of long-term capital and official donations, statistics — when these can be obtained — of reverse flows, [of capital from the developing countries] assessing their significance in relation to total financial transfers and giving an analysis of factors affecting them.

9. The studies mentioned above should be transmitted to international organizations concerned with economic development and selected appropriate non-governmental organizations representing the business community.

^a See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 49 and 50.

^b See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 3, annex II.*

^c E/4446 (United Nations publication, Sales No.: E.68.II.D.2).

^d TD/35/Rev.1 (United Nations publication, Sales No.: E.68.II.D.9).

10. The Conference expresses the hope that progress can be expedited in the study undertaken by the International Bank for Reconstruction and Development (IBRD) on investment insurance and requests the Secretary-General of the United Nations to invite IBRD to submit a progress report to the third session of the Committee on Invisibles and Financing related to Trade.

Improving the mobilization of internal resources

Text submitted to the Third Committee

1. The Conference recognizes that the primary responsibility for their development rests with the developing countries themselves. While appreciating the efforts already made by the developing countries to mobilize and make effective use of their internal resources, the Conference considers that further efforts in this regard are essential for accelerating economic development in the developing countries. These efforts are also important for mobilizing public opinion in developed countries in support of their assistance programmes.

2. In the interests of rapid development, developing countries need both to mobilize internal resources as fully as possible and to ensure effective use of available resources, both internal and external. The Conference notes with satisfaction the continuing progress being made in development planning and the increasing recognition that effective implementation is an essential part of the planning process. Implementation involves a broad range of economic and social policies conducive to development. It also depends on the creation of the necessary institutions and on mobilization of public support and co-operation in developing countries.

3. The Conference recognizes that external resources can help to make possible full deployment of the resources and efforts of developing countries, and at the same time that well-directed efforts by the developing countries are necessary in order for external resources to make their full contribution to development.

4. Countries which provide external resources in support of development are concerned that these resources should not replace, but should supplement and help to mobilize adequate domestic efforts and should be effectively used. The Conference acknowledges, however, that priorities, problems and possibilities differ between developing countries, and that the standards of effort which it is reasonable to expect depend on the circumstances of individual developing countries.

5. With these considerations in mind, the Conference stresses the importance of continuing frank and constructive exchanges between providers and recipients of external resources. The Conference notes with interest the experience gained in consortia and consultative groups, and also the establishment of certain mechanisms for mutual review and exchange of experience among developing countries. It recommends that attention should be given to the further development and extension of such arrangements.

6. The UNCTAD secretariat should continue its work on the relation between the rate of growth and the amount of aid received. Its studies should take account of alternative development targets, policies and standards of effort and external circumstances. They should seek to investigate any relevant implications of factors which may lead to limitation of absorptive capacity and evaluate the efforts of alternative types of performance, including the possibilities for useful import substitution.

Improving the terms and conditions of aid alleviating the problems of external indebtedness

Text submitted to the Third Committee

Terms of aid

1. The Conference endorses the view expressed in the Agreed Statement on the Problems of Development^a that the terms of

^a See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 3, annex II.*

development assistance generally remain too hard. Further efforts are required to soften the terms of aid and to harmonize the terms given by individual developed countries to individual developing countries. Developed countries agree to renew their efforts to achieve by the end of 1968 the terms and conditions of external resources laid down by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development in its resolution of July 1965, and by the General Assembly of the United Nations in its resolution 2170 (XXI) of 6 December 1966. The Conference urges those countries which are now furthest from these norms to make special efforts to achieve them.

2. The Conference notes with appreciation that a review of the terms and conditions specified in the recommendations of the DAC is to be undertaken this year and expresses the hope that it will result in their further liberalization. It considers that efforts should be made to raise the norms set out in the present target, either by increasing the amount of aid given in the form of grants, or by improving interest rates, maturities or grace periods, or by increasing the grant element of the official aid commitments of donor countries. [Developing countries and some developed countries consider] [the Conference considers] that either of the following alternative norms, to be achieved by the end of 1970, should be specified for each donor country.

Either

(a) Developed countries might provide 80 per cent or more of their official aid in the form of grants;

Or

(b) They might:

- (i) Provide 90 per cent of their official aid commitments as grants or loans at 2.5 per cent interest or less, with a repayment period of thirty years or more;
- (ii) Attain a minimum grace period of eight years.

[The developed countries take note of these suggestions and are prepared to take them into account in the evolution of their assistance policies.]

3. The Conference recognizes that the ability of individual countries to service external debt varies. It recognizes also that the terms on which different types of funds are obtainable to promote development vary. It considers, however, that most developing countries will need to receive development assistance on soft terms for a long time ahead, whether the judgement is based on their national income per head or their external financial position and prospects. [The developing countries and some developed countries] [the Conference] consider[s] that, by 1975, the bulk of bilateral lending should be on terms comparable in general effect though not necessarily identical in all individual respects with the terms currently applied by the International Development Association (IDA), with suitable arrangements made to enable developing countries not now eligible to avail themselves of these terms to do so. [The developed countries take note of these suggestions and agree to give careful and sympathetic consideration to them in the further evolution of their lending policies.]

4. The Conference stresses the importance of harmonizing the terms of assistance to individual countries, particularly but not exclusively in the case of countries for which multilateral co-ordinating arrangements exist. Further study should be given to the determinants of debt-servicing capacity, with a view to establishing general criteria for settling terms for countries or groups of countries. Judgements on the terms to be offered should be made, where possible, on a case-by-case basis. Particular regard should be paid to the needs of the least-developed countries in determining terms. Some donor countries emphasize that the over-all terms of aid of individual donors should be taken into account in this connexion.

5. Some donor countries point out that for them the volume of lending and the rate at which terms can be improved are closely connected, especially if the donor country has to provide at least

part of its aid by raising funds in the private capital market, and to subsidize the rates at which they are re-lent to developing countries. They also point out that the problem is particularly acute in view of their relatively limited aid-giving capacity.

6. The Conference considers that further study is necessary of possible improvements in techniques of lending, having to do among other things with conditions and schedules of repayments, and requests the International Bank for Reconstruction and Development (IBRD) to prepare such a study in consultation with the Secretary-General of UNCTAD and the International Monetary Fund (IMF). In particular the study should take into account the possibility of postponing or waiving interest and amortization payments in years of foreign exchange stringency. The results of this study should be presented to the third session of the Committee on Invisibles and Financing related to Trade.

7. The Conference welcomes the increased availability of financial assistance for programme financing and stresses that external finance should be made available both for programmes and projects and should include local costs where necessary. Since development requires a continuous supply of external resources, individual donor countries should take such steps as they can to ensure such continuity.

Commercial credits including suppliers' credits

8. The Conference endorses the judgement in the Agreed Statement that commercial credits add to the flow of resources and can play a useful role, within limits, in promoting development. They are, however, no real substitute for long-term development aid.

9. It is noted in the Agreed Statement that four main questions arise:

- (a) To what extent should commercial credits be adapted to promote development as well as trade?
- (b) How should its acceptance and use be controlled by both recipients and lenders?
- (c) Should the terms be softened, and what would be the implications for both aid and trade?
- (d) Should the question whether any new institutional arrangements are needed to alleviate harmful developments in the field of commercial credits be further studied?

10. The Conference invites the IMF to prepare a study on these questions, in consultation with member Governments, with the secretariat of UNCTAD, the IBRD and other appropriate institutions. This study should be made available for discussion in the Committee on Invisibles and Financing related to Trade which will then decide whether to refer it to an inter-governmental group with equitable representation of developing and developed countries, or to deal with it in some other appropriate way.

11. The Conference further requests the United Nations Secretariat and IBRD to continue, in consultation with other institutions, the study of commercial credit as a means of assisting developing countries to increase their exports and to finance trade with each other including ways in which facilities available to them might be strengthened and developed. Consideration should be given to the possibility of refinancing by international financial institutions of commercial credit extended by developing countries.

Indebtedness

12. The Conference recognizes the gravity of the problems of external indebtedness and the acuteness of some of them, and the fact that such problems arise not only from official lending but also from commercial credit. It considers, first, that as was noted in the Agreed Statement, further analysis is required of the whole question of indebtedness, differentiating between the various types of debt involved. These must not be judged in isolation but in relation to the debt-servicing capacity of the country concerned, its external trade and its rate of growth. The problem of indebtedness is also linked with the problems of terms and volume of aid.

13. Secondly, improved arrangements to forecast and forestall debt crises are clearly desirable.

14. Thirdly, since the first objective must be to prevent debt crises from arising, developing countries should undertake sound policies of debt management, while developed countries should help by providing assistance on appropriate terms and conditions.

15. Finally, where difficulties do arise, the countries concerned should stand ready to deal reasonably with them within the framework of an appropriate forum, in co-operation with the international institutions concerned. They should bear in mind that some developing countries are carrying an excessively heavy burden of long-term debt, having regard to their need to sustain an adequate rate of economic growth, and that suitable measures should be adopted in appropriate cases to alleviate this burden. In other cases, situations of crisis may arise and arrangements to refinance or reschedule on appropriate terms and conditions may be required. Present institutional arrangements for dealing with such problems may require review when the analysis of the problems has proceeded further and the arrangements for forecasting situations have been further developed.

Tied aid

16. The Conference, while recognizing that the causes and effects of tied aid need to be further studied, endorses the judgement on the effects of tying contained in the Agreed Statement. Tying restricts the developing countries' opportunities of benefiting from the price and quality advantages which normally accrue from a free choice of suppliers. This is particularly the case when restrictions are imposed not only as to the source of procurement of the goods but also as to the nature of the goods. Further tying tends to reduce the real value of aid inasmuch as the definition and the choice of projects and of technology best suited to the requirements of the developing countries is limited. Some of these disadvantages may be mitigated if a country has the freedom of recourse to several sources of procurement or to a broad range of goods and services from one source. Furthermore, some tied loans are used for reimbursing import payments relating to contracts which have been obtained in open international competition.

17. The Conference therefore considers that, in principle, financial assistance should be untied. Many donors, however, find it necessary to tie their aid, mainly in order to protect their balance of payments or to secure public support for their aid programmes. The tying of aid is directly related to the level of aid.

18. The Conference urges the developed countries to take what practical measures they can, individually or collectively, both to reduce the extent of tying and to mitigate any harmful effects. The Conference considers that in any case efforts should be made to mitigate harmful effects of tying. Practical steps might include:

- (a) A greater provision for the use of aid funds to cover local costs;
- (b) The allowing of procurement in developing countries;
- (c) A broadening of the range of commodities or services to which aid may be devoted so that recipients have reasonable freedom of choice; [The elimination of double-tying except in the case of project assistance; that is tying to sources of procurement as well as to specified products;]
- (d) Improvement in the administration of procurement;
- (e) A development of pooling systems under which contracts might be decided by international competitive bidding within a group of donor countries;
- (f) Subsidization by donors of the excess cost of procurement resulting from tying practices.]

19. The Conference urges the Governments of States members of IBRD and IDA to ensure that these institutions continue to apply the principle of international competitive bidding in the use of their resources.

Access to capital markets

20. The Conference notes the concern felt by the developing countries over the question of access to capital markets by themselves and by multilateral development institutions, and invites the Secretary-General of UNCTAD to seek the advice of the IBRD and the regional development banks with a view to its discussion by the Committee on Invisibles and Financing related to Trade.

Interest equalization

21. The Conference notes the studies prepared by the secretariat on the proposal for a multilateral interest equalization fund to cover the interest margin between loans obtained on international capital markets and concessional development loans. It notes, further, that the technique of subsidizing the rates at which funds raised on the private capital market are re-lent as aid is already practiced by a number of donors. It commends the technique to those who find it an appropriate means of achieving appropriately soft terms. The proposal for a multilateral scheme raises a number of problems. The Conference invites the Secretary-General of UNCTAD to keep the matter under review and to report to the third session of the Committee on Invisibles and Financing related to Trade.

22. Annual progress reports in an appropriate form should be submitted and reviewed in terms of General Assembly resolution 1995 (XIX) of 30 December 1964 and Trade and Development Board resolution 19 (II).

Compensatory financing facility*Text submitted to the Third Committee*

The Conference notes with satisfaction that the International Monetary Fund (IMF) has adopted measures for the liberalization of the Compensatory Financing Facility in response to recommendation A.IV.17¹ of the Final Act of the first session of the Conference. The Conference further notes that much more extensive use has been made of the Fund Facility since its revision in September 1966. As the revised Facility has been in operation only for about eighteen months, further experience seems to be necessary before any further revision of the Facility is undertaken. The Conference, however, draws the attention of Governments of States members of IMF to the following suggestions made in discussion and refers them to the Fund for consideration in its continuing review of the Facility.

1. Adverse movements in import prices should render a developing country eligible for a drawing under the Facility;
2. Drawings on the International Monetary Fund under the Facility should be immediately available up to 50 per cent of the countries' quotas in the Fund and that such drawings should not be subject to any conditions;
3. The repurchase liability in respect of outstanding drawings on the Facility should not arise within five years after the drawing and thereafter should fall due only in the years in which the countries' exports exceed the estimated trend value and should not exceed 50 per cent of the export excess.
4. The liability of the drawing country in respect of the interest charges on the outstanding compensatory drawings should be calculated separately from that in respect of ordinary drawings and should not attract the normal progressive interest provisions of IMF.

International monetary system — Issues relating to development finance and trade of developing countries*Text submitted to the Third Committee*

1. The Conference recognizes the great interest of the developing countries in the satisfactory operation of the international monetary system so as to allow them to share the benefits of the continued expansion of the world economy.

¹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 52.

2. The Conference notes with satisfaction the agreement reached during the annual meeting of the Board of Governors of the International Monetary Fund (IMF) in September 1967 in Rio de Janeiro on an Outline to create Special Drawing Rights within the Fund,^{*} and the participation of the developing countries represented by their Executive Directors in the Fund in the negotiations that led to the agreement on the outline. It stresses the importance of active participation of these countries in the operation of the new arrangements for Special Drawing Rights.

3. In view of the fact that, according to the outline, the Special Drawing Rights will be distributed in proportion to member States' quotas, the Conference invites Governments of States members of IMF to continue to give careful consideration to applications from developing countries for increases of quotas so as to enable these countries to benefit more from the facilities of the Fund.

4. The Conference recommends that the Secretary-General of UNCTAD, after consultation with the appropriate international institutions, [take steps to convene a group of experts with a knowledge and experience of the problems of developing countries and industrialized countries to] review progress since the first session of the Conference towards the reform of the international monetary system [in the light of the objectives and decisions of this Conference and], devoting particular attention to the needs of the developing countries in their trade with one another and the rest of the world. [(i) The group should consult with IMF and other international and regional financial and monetary institutions.] [(ii) The findings of the group should be transmitted to the Trade and Development Board, the General Assembly of the United Nations and to the international and regional monetary organizations.]

5. The developing countries stress the importance of the early activation of the Special Drawing Rights scheme.

6. During the last annual meeting of the Board of Governors of the IMF, the Executive Directors were also requested to review the rules and practices relating to the traditional activities of the Fund and to propose amendments in the light of such review.^b The developing countries recommend to Governments members of the IMF that the IMF, in its operations and in considering possible changes in its rules and practices with regard to the use of and conditions attached to drawings, should not introduce any changes that would work to the disadvantage of the developing countries, and that any change should be in the direction of softening the terms and conditions applicable to drawings by the developing countries. As a first step in this direction the IMF is urged to consider the extension of the repurchase period applicable to ordinary drawings by developing countries to seven to nine years.

7. With regard to the various proposals for forging a link between the creation of Special Drawing Rights and the provision of external development finance, the developing countries urge the Governments of States members of IMF to consider at an early date the establishment of such a link.

World Bank Group matters **Text submitted to the Third Committee*

1. The Conference expresses its appreciation for the work of the International Bank for Reconstruction and Development (IBRD)

^{*} Resolution No. 22-28, adopted on 29 September 1967, by the Board of Governors of the International Monetary Fund, in joint session with the Boards of Governors of the International Bank for Reconstruction and Development, the International Finance Co-operation and the International Development Association (see IMF, *Summary Proceedings, Annual Meeting, 1967*, pp. 271-279).

^b *Ibid.*, p. 272.

^{*} The Chairman announced at the 29th meeting of the Committee that some amendments to the document would be circulated by him. The revised version of this note is contained in document TD/L22. (see the report of the Conference, annex VIII).

and its affiliates which have contributed greatly to the promotion of developing countries. The Conference notes with satisfaction the completion of negotiations for the replenishment of the resources of the International Development Association (IDA) at a higher level. It also notes that the World Bank Group has continuously adjusted its activities to the needs of developing countries.

2. The Conference encourages Governments of States, members of the Bank and its affiliates, to continue their support for the work of these institutions and recommends to those governments to advise their representatives in the competent organs of the IBRD and its affiliates to consider the following questions, while bearing in mind the need to maintain sound banking standards in order to safeguard the Bank's ability to borrow:

(a) That the Bank should devote as large a part as possible of its resources for assistance to developing countries;

(b) That the Bank should continue, in appropriate cases, to extend loans for purposes wider than the financing of individual projects and that it should consider, wherever necessary, the financing of local costs;

(c) That the Bank should continue co-operating with regional financial institutions both in co-ordinating their operations and, where appropriate, in financing jointly projects of regional importance;

(d) That the Bank should extend, to the extent feasible, its co-ordinating services relating to particular countries, such as consultative groups;

(e) That the World Bank Group, as its President, Mr. Woods, suggested to the Conference, should be alert to the necessity for new approaches, for example in keeping under review the advisability of financing public and semi-public productive enterprises;

(f) That IDA should explore the possibility of receiving trust funds in administration from various governments and institutions;

(g) That the activities of the International Finance Corporation should be expanded in particular with regard to undertakings in developing countries and especially to projects which promote economic integration;

(h) That IDA in distributing its funds should give particular attention to the least-developed among the developing countries.

Supplementary financial measures

Text submitted to the Third Committee

1. The Conference expresses appreciation of the report prepared by the staff of the International Bank for Reconstruction and Development (IBRD)¹ and of the reports of the Inter-governmental Group on Supplementary Financing² and notes that the majority of the members of the Inter-governmental Group believe that, although a number of questions — some of them important — require further consideration, the objective set out in part A of recommendation A.IV.18³ can be achieved by a scheme with the essential characteristics of the IBRD staff scheme and that a few members were not yet prepared to take a position because of unresolved questions of some importance.

2. The reports of the IBRD staff and of the Inter-governmental Group have defined the issues involved and clarified many of them. The Conference agrees that further work is required to resolve some outstanding issues. The Conference also agrees that [further studies

of supplementary financial measures should take account of the following principles and should be directed toward the formulation of a feasible scheme.] [A feasible mechanism of supplementary financial measures can be worked out on the basis of the following principles which should guide consideration of the question.]

(a) There is a clear, urgent need for a mechanism which would provide supplementary financing to developing countries which suffer unforeseen shortfalls from reasonable expectations in their export proceeds of a nature or duration which may disrupt their development programmes. Supplementary financing should be administered by an institution within the World Bank Group.

(b) It is essential that supplementary financing should, on the basis of appropriate criteria, provide reasonable assurance of timely assistance to prevent or minimize disruption of development plans and programmes which might result from such export shortfalls to the extent that they cannot be met by short term balance of payments support.

(c) In establishing reasonable expectations, account should be taken not only of past levels of exports proceeds but also those foreseen in the development plan or programme of countries applying for supplementary financial assistance and required for its implementation.

[In the case of countries having comprehensive development plans involving the taking in advance of a view of export expectations, the agency administering the scheme and the country should agree at the beginning of each plan period on the level of exports that may be reasonably expected during that period, on the basis of export projection and informed judgement and on which the scope of the plan is based. Countries not having comprehensive plans involving such export expectations could claim under the scheme on the basis of a disruption of investment programmes caused by a decline in exports.]

(d) [A shortfall from these expectations should be the first element to be taken into account in assessing claims to supplementary financial assistance.]

[A shortfall from the pre-agreed level of exports as established under (c) above should form the basis of a *prima facie* claim to supplementary financial assistance under the scheme.]

(e) There should be a policy understanding between the country and the Agency relating to the development plan or programme and its implementation. It should not impair the sovereignty of any member country [as defined by that country.]

(f) There should be provision for the use of other resources in a prudent measure by countries applying for assistance under the scheme.

(g) There should be a clearly limited financial commitment of an adequate amount by donor countries.

3. Within the principles set forth in paragraph 2 above, the following principal issues remain to be discussed:

(a) [The considerations to be taken into account by the Agency in assessing the extent of disruption requiring supplementary financial assistance;]

[The considerations to be taken into account by the Agency in assessing the amount of supplementary financial assistance on the basis of export shortfalls;]

(b) The scope and nature of the understanding between the administering Agency and the individual participant countries on their own development plans and programmes and the policies to be adopted in order to carry them out including measures of adjustment in these plans and policies, consistent with maintaining their integrity, which may be required to help deal with shortfalls.

(c) The nature of the relationship between supplementary financing and the policies and operations of IMF including the Compensatory Financing Facility.

[(d) The techniques to be used in establishing reasonable expectations.]

¹ *Supplementary Financial Measures — a Study requested by the United Nations Conference on Trade and Development, 1964* (International Bank for Reconstruction and Development, December 1965).

² TD/B/C.3/41, TD/B/C.3/44, and TD/33/Rev.1 (United Nations publication, Sales No.: E.68.II.D.3).

³ See *Proceedings of the United Nations Conference on Trade and Development, vol. 1: Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 52 and 53.

4. In considering the issues outlined in paragraph 3, measures [compatible with the principles in paragraph 2 and] clearly responsive to the purpose set forth in paragraph 2 (a) above, including any of those suggested to the Inter-governmental Group which provide for assistance with the primary objective of preventing the disruption of development plans and programmes should receive full consideration.

5. Account should be taken [The institution when established will take account] of the studies, and whatever recommendations may be contained therein, in the field of international commodity policy requested by the Board of Governors of IBRD and IMF at their annual meetings in 1967 as and when they become available.

6. The Conference decides:

(a) To continue in existence the Inter-governmental Group suitably enlarged for the purpose of working out a mechanism of supplementary financing along the lines envisaged in paragraphs 1 to 5 above;

(b) [To authorize the Inter-governmental Group to work out a draft outline of these measures, and to put forward any suggestions for their financing, if possible in time for submission to the seventh session of the Trade and Development Board but not later than its eighth session. The Trade and Development Board having considered it, shall transmit it promptly to the World Bank;]

[To authorize the Inter-governmental Group to negotiate and decide on the features of the machinery for supplementary financing including a draft outline of a scheme, draft statutes, and proposals for the financing of that machinery in time for it to be submitted if possible at the seventh session of the Trade and Development Board but not later than its eighth session;]

[That the Trade and Development Board consider, with a view to their adoption the features of the machinery for supplementary financing to be decided upon by the Inter-governmental Group, or any agreement which it may have reached, and to transmit the results of its consideration to the Board of Directors and the Board of Governors of IBRD for study and implementation; and requests the Executive Directors of IBRD to ensure that the Board of Governors of IBRD will examine, before the annual meeting in 1969, any recommendation by the Trade and Development Board on measures of supplementary financing; and requests the Governments of States members of IBRD to ratify the system of supplementary financing which shall have been approved by the Trade and Development Board and by the Governors of IBRD.]

Aid volume target

Text submitted to the Third Committee

1. Economic development entails mutually reinforcing efforts by developing and developed countries. It is appreciated that developing countries must and do bear the main burden for financing their own development. The developed countries, for their part, recognize their responsibility to provide increased resources to developing countries. The Conference stresses that, in view of the crucial role of external resources in helping to mobilize the domestic resources of developing countries, the efforts of developed countries in support of development should be further intensified.

2. (Alternative A) The Conference accordingly recommends that each economically advanced country should [endeavour to] provide annually to developing countries¹ financial resource transfers of a minimum net amount of 1 per cent of its [gross national product (GNP) at market prices] [net national income at factor cost] in terms of actual disbursements [not later than the current development decade] [by 1972] [having regard to the special position of countries which are net importers of capital] [during the second United Nations Development Decade] [as soon as possible].

(Alternative B) The Conference accordingly recommends that each economically advanced country should make every effort to provide annually to developing countries a progressively higher proportion of financial resource transfers as a percentage of its [gross national product (GNP) at market prices] [net national income at factor cost] in terms of actual disbursements [having regard to the special position of countries which are net importers of capital].

Net financial resource transfers are defined as follows:

(a) official cash grants and grants in kind including grants for technical assistance but excluding grants for defence purposes; sales of commodities against local currencies exclusive of utilization of such currencies by the donor country for its own purposes; government lending for periods exceeding [one] [seven] year[s] net of repayments of principal; grants and capital subscriptions to multilateral and agencies, and net purchases of bonds, loans and participation from those agencies.

(b) private capital on the basis of net long-term movements originating with residents of the capital-exporting countries [excluding transactions with a maturity of seven years or less]. They are thus net of repatriation of principal, disinvestment, and retirement of long-term loans, portfolio assets and commercial debt [and investment income]. They are not net of reverse flows of capital originating with residents of the less-developed countries, [nor of investment income].

3. Each economically advanced country which has met the target as defined above in paragraph 2 should [endeavour to] take steps to ensure that its net financial resource transfers in terms of actual disbursements are maintained and, if possible, increased.

4. [The Conference recognizes that various important economic factors which may vary over time affect the pace at which donor countries can increase their aid programmes. Such factors must be taken into account in reviewing the progress made by individual donors in achieving the target. The Conference also recognizes that the target should be regarded as an incentive to greater efforts to provide resources rather than as either a ceiling or a suitable method for comparing the appropriate quantitative or qualitative development assistance efforts as between different economically advanced countries.]

5. (Alternative A) The Conference recommends that within the 1 per cent target referred to above, each economically advanced country should endeavour to provide [a minimum of 0.80 per cent of its gross national product] [a maximum proportion] by way of net official financial resource transfers.² Any gaps remaining in the achievement of the target of 1 per cent should be made good by additional government transfers.

(Alternative B) The Conference recognizes that official bilateral and multilateral flows are clearly required to meet many of the basic needs of developing countries.³ Accordingly, the Conference recommends that developed countries should endeavour to ensure that such flows represent a [more] substantial part of the totality of financial resources provided. The Conference recognizes, however, that the resources which individual donor countries can provide differ widely in composition in view of the differences in their economic structure. Moreover, private funds have their role to play, and in order to meet the increasing needs of developing countries, these as well as official flows should be promoted.

6. Annual progress reports in an appropriate form should be submitted and reviewed in terms of General Assembly resolution 1995 (XIX) of 30 December 1964 and Trade and Development Board resolution 19 (II).

¹ The OECD definition of developing countries is to be used.

² Net official financial resource transfers are defined in paragraph 2 above.

D. REPORT OF THE FOURTH COMMITTEE

CONTENTS

	Paragraph	Page
<i>Introduction</i>	1-13	306
<i>Chapter I.</i> Consultation machinery in shipping	14-25	307
<i>Chapter II.</i> Level and structure of freight rates, conference practices and adequacy of shipping services: progress report on studies by the secretariat	26-45	309
<i>Chapter III.</i> Shipping industry in developing countries, including expansion of merchant marines of developing countries	46-68	311
<i>Chapter IV.</i> Review of recent developments and long-term trends in the field of shipping and international legislation thereon in the light of recommendations and other provisions of the Final Act of the first Conference		
A. International legislation on shipping	69-93	315
B. Recent developments and long-term trends in the field of shipping	94-95	318
C. Division of responsibilities among the United Nations Secretariat units concerned with transport questions	96-99	318
<i>Chapter V.</i> Port improvements: progress report on studies by the secretariat	100-118	319
<i>Chapter VI.</i> Review of recent developments and long-term trends in the field of invisibles		
A. Insurance and reinsurance	119-134	320
B. Tourism	135-148	323

APPENDICES

I. Draft resolutions recommended by the Fourth Committee for adoption by the Conference	325
II. Draft resolutions, decisions and declarations submitted to the Fourth Committee (other than those reproduced in the Committee's report or in appendix I)	329
III. Statement of financial implications of draft resolutions considered by the Fourth Committee	332

NOTE. The check list of documents prepared for and during the deliberations of the Fourth Committee appears in annex X to the report of the Conference.

Introduction

1. At its 37th (opening) plenary meeting on 1 February 1968, the second session of the United Nations Conference on Trade and Development established the Fourth Committee and referred to it for consideration and report item 13 of the agenda, in conformity with the recommendation made by the Trade and Development Board at its fifth session.¹

Item 13 of the agenda as adopted reads as follows:

Problems of developing countries in regard to invisibles including shipping

(a) Review of recent developments and long-term trends in the field of invisibles including shipping and international legislation

thereon in the light of recommendations and other provisions of the Final Act of the first Conference * **

(b) Level and structure of freight rates, conference practices and adequacy of shipping services — progress report on studies by the secretariat

(c) Shipping industry in developing countries, including expansion of merchant marines of developing countries

(d) Consultation machinery in shipping

(e) Port improvements. Progress report on studies by the secretariat.

2. At its first meeting held on 2 February 1968, the Committee elected Mr. L. P. Lindenberg Sette (Brazil) as

¹ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, para. 22 (c).

* The purpose of sub-item (a) is to provide delegations with general factual information about the subject matter of the item. No general debate, except with respect to international legislation on shipping, is expected since such a debate will take place under item 8.

** In this review due regard should be given to the activities of the Inter-Governmental Maritime Consultative Organization and other competent international organizations in this field in order to avoid unnecessary duplication.

its Chairman. At its fifth meeting on 8 February it elected Mr. K. Dabrowski (Poland) as Vice-Chairman and Mr. O. Heyman (Sweden) as Rapporteur.

3. The Committee held twenty-six meetings in the course of which it considered item 13 and all its sub-items.²

4. At the Committee's second meeting on 5 February, the Chairman drew attention to a communication dated 5 February he had received from the President of the Conference concerning the allocation of item 13 to the Committee (TD/II/C.4/1). After some discussion concerning the order in which the Committee might consider the various sub-items of item 13, it was agreed, on the suggestion of the Chairman, that the Committee should consider item 13 (d), (b), (c), (a) and (e) in that order, questions relating to insurance, reinsurance and tourism to be dealt with in the context of "invisibles" referred to in item 13 (a).

5. For the purpose of drafting the Committee's report to the Conference, the Rapporteur was assisted by a group of "friends" designated by the various groups of countries. The Committee considered the draft of its report to the Conference at its 26th meeting on 18 March 1968 and adopted its report unanimously.

6. The Committee being a Committee of the Whole, participation in its deliberations was open to representatives of all States members of UNCTAD.

7. The representative of the United Nations Educational, Scientific and Cultural Organization (UNESCO) addressed the Committee at its 24th meeting on 29 February. The representative of the Inter-Governmental Maritime Consultative Organization (IMCO) addressed the Committee at its 17th meeting on 22 February.

8. The representative of the Council for Mutual Economic Assistance (CMEA) participated in the Committee's deliberations.

9. The representative of the International Chamber of Commerce, a non-governmental organization admitted as an observer under rule 81 of the rules of procedure of the Conference, addressed the Committee at its fifth and 25th meetings, on 8 February and 2 March, respectively.

10. The representatives of the International Chamber of Shipping and of the International Union of Official Travel Organizations (IUOTO), non-governmental organizations admitted as observers under rule 81 of the rules of procedure, addressed the Committee at its 25th meeting on 2 March.

11. Representatives of the Committee of European National Shipowners' Associations attended the Committee's proceedings as guests of the secretariat.

12. In connexion with the Committee's consideration of questions relating to insurance, the representative of the European Insurance Committee attended as a guest of the secretariat.

Financial implications of actions by the Committee

13. At the Committee's 26th meeting on 18 March and before the Committee considered the various draft reso-

lutions before it, the representative of the Secretary-General of UNCTAD drew attention to the statement of financial implications (reproduced in appendix III to this report) submitted in accordance with rule 32 of the rules of procedure. In this connexion he pointed out that the secretariat's resources for work in the field of invisibles were already over-committed and that adequate resources were not available for the freight-rate studies envisaged. It would therefore be impossible, in the foreseeable future and with the resources currently available, to undertake most of the studies referred to in the draft resolutions under consideration.

Chapter I

Consultation machinery in shipping

(Agenda item 13 (d))

14. Representatives of all groups of countries agreed that consultation machinery had an important role to play in finding solutions to problems arising between shipowners and the users of their services, and welcomed the comprehensive and valuable reports on this subject provided by the secretariat. They considered that the second session of the Conference should endorse the resolution on consultation machinery that had been unanimously adopted by the Committee on Shipping at its second session.³ Representatives of both developed and developing countries which had experience of the functioning of shippers' councils and consultation machinery expressed their willingness to place that experience at the disposal of developing countries that were considering the establishment of such bodies, and to assist, so far as practicable, in their actual establishment.

15. The representatives of a number of developing countries drew attention to particular problems which might arise for shippers in their countries. They pointed out that in cases where shippers were foreigners or affiliated to foreign firms, or were agents of shipping lines, it would be pointless for developing countries to rely upon their representations in the consultation machinery, as the shippers' interests could not be regarded as synonymous with the national interest. Even in cases where shippers were nationals, they could not always be regarded as reliable custodians of the national interest if they were in a position to pass rate increases on to other sectors of the national economy. Again, where the custom in a trade was for developing countries to export f.o.b. and to import c.i.f., the choice of the carrier did not lie with the exporter or importer in the developing country, a situation which weakened their bargaining position vis-à-vis the liner conferences.

16. For those reasons, and also because of the generally weaker position of shippers in developing countries, it was emphasized by the representatives of most of these countries that some kind of Government participation in the consultation machinery might be inevitable. It was pointed out that Governments of developing countries often participated directly in the foreign trade of these

² For an account of the Committee's deliberations, see the summary records of the first to 26th meetings (TD/II/C.4/SR.1-26).

³ See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 2*, annex I (a).

countries in the capacity of exporters, importers or shipowners. In the opinion of many of these representatives, the role of Governments could extend further to the enactment of legislation which would ensure that conference practices were consistent with the national interest. Jurisdictional problems that might arise could best be settled if the legislation in question were part of a coherent regional approach. Shippers' councils could also be organized on a regional basis, but such a step would presuppose that they had already been established and were functioning satisfactorily at the national level.

17. The representatives of several developing countries described the steps which their countries had taken recently to establish shippers' councils. They pointed out that discussions with the liner conferences could be greatly facilitated by the establishment of special freight study units that could give expert advice on technical aspects of freight rates to shippers' councils and shippers, and by free access to tariffs of the liner conferences. The speedy conclusion of discussions between users and the conferences was, however, very much dependent upon the presence in the ports of developing countries of conference representatives who had authority to negotiate with the shippers. The representatives of some developing countries suggested that conference agreements should contain a provision recognizing shippers' councils and the need for appropriate consultation with them.

18. The representatives of a few developing countries drew attention to some of the positive achievements of the existing consultation machinery, particularly where the Government intervened effectively or the country possessed a merchant fleet, and to the likely advantages which would follow from the establishment of efficient consultation machinery. The representatives of several developing countries urged that technical assistance for the establishment of consultation machinery be made available through UNCTAD and the United Nations Development Programme (UNDP).

19. The representative of one developing country suggested that the rules governing the consultation machinery might make provision for consultation in the event of any major fall in the prices obtained by developing countries for their main exports.

20. Information regarding the experience of consultation machinery in Europe was made available to the Committee but it was suggested by developing countries that important differences between conditions in Europe and in developing countries made it difficult to draw conclusions relevant to the latter directly from the experience of the former.

21. A majority of the representatives of developed market-economy countries expressed the belief that the principle of free consultation between the two parties concerned — shippers and shipowners — was of overriding importance. They felt that the role of Governments, if any, should be limited to stimulation of private initiative and persuasion, specifically by encouraging the formation of representative shippers' councils or equivalent bodies and by persuading the liner conferences to recognize these councils and to accept the principle of consultation with them on matters of common concern. Thus, while a persuasive role for Governments might be envisaged in some

circumstances, a regulatory one could not be accepted by most delegations of developed countries. However, the representative of one developed market-economy country pointed out that his Government had enacted legislation designed to ensure that exporters in his country were so organized that they could bargain effectively with the liner conferences. The representative of another developed market-economy country suggested that consultation between shippers and shipowners should be governed by a system of independent arbitration.

22. The representatives of some developed market-economy countries, responding to an earlier request from the representative of a developing country, gave a brief summary of their own countries' experiences in the establishment of national consultation machinery. A number of speakers from developed market-economy countries in Western Europe also referred to the collective experience of these countries in setting up consultation machinery on a regional basis. They stated that, while the European model was not necessarily of universal applicability, it could nevertheless act as a useful guide to other countries contemplating the establishment of consultation machinery.

23. The representative of one developed market-economy country stated that consultation would be more effective if it were organized in such a way as to bring together the interests of exporters and importers at each end of the same route. He also drew attention to the importance of extending consultation machinery to include non-conference lines and tramp shipping. The representative of another developed market-economy country suggested that the UNCTAD secretariat should report regularly on progress made in the establishment and extension of national and regional consultation machinery.

24. The representatives of the socialist countries of Eastern Europe stressed the importance of a pragmatic approach to the establishment of consultation machinery in developing countries and maintained that individual developing countries should, therefore, adopt whatever system they considered most appropriate to their own particular circumstances. It was also pointed out that the principal aim of the establishment of consultation machinery in developing countries was to limit the monopolistic practices of liner conferences. The representative of one socialist country of Eastern Europe stated that bargaining between a liner conference and a shippers' council was a form of counterbalancing of powers, and that in such circumstances the results of bargaining were indeterminate within certain limits. This was especially so where the bargaining power of one side was a good deal weaker than that of the other, as in the case of shipper's councils in developing countries. He therefore stressed the importance of government supervision of consultation machinery. The representative of another socialist country of Eastern Europe pointed out that the organization representing shipper interests in his country was comparable to that of shippers' councils and would therefore be considered as an equivalent body, as understood in the context of consultation machinery. He suggested that the UNCTAD secretariat should arrange to study the experience of various shippers' councils and equivalent bodies and disseminate the results in a report.

25. At its 24th meeting on 29 February, the Committee considered a draft resolution (TD/II/C.4/L.6/Rev.1) which had been submitted by the Chairman after consultation with representatives of all groups of countries. The Committee decided unanimously to recommend to the Conference the adoption of the draft resolution, the text of which is reproduced in appendix I to this report. Prior to this decision the draft resolution contained in document TD/II/C.4/L.2, reproduced in appendix II, was withdrawn by its sponsors.

Chapter II

Level and structure of freight rates, conference practices and adequacy of shipping services: progress report on studies by the secretariat

(Agenda item 13 (b))

26. Delegations representing all groups of countries recognized the importance of this item. Although generally agreeing that full reports on the subject would facilitate discussion, representatives expressed different views on the question whether action should await the secretariat's reports. The view of the representatives of the developed market-economy countries was that freight rates were determined by market forces. They recognized that particular difficulties might arise in that process, but considered that the development of consultation machinery was the best means of solving such difficulties, and that any conclusions by UNCTAD on the question of freight rates should not be drawn until studies had been completed, since only a progress report had been submitted. The representatives of developing countries stated that the existing structure of conference freight rates in relation to the developing countries had evolved out of the unilateral discussions of conferences without reference to the interests of developing countries. They considered that freight-rate structures should be rationalized immediately and that the conferences should co-operate with shippers' councils and Governments in the task and that action should not wait until full reports appeared. The representatives of the socialist countries of Eastern Europe stated that in order to improve the conditions in world trade, particularly in the trade of developing countries, urgent measures should be taken to eliminate discriminatory rates and other practices of liner conferences that were harmful to that trade. They stressed the importance of the participation of the shipping companies of developing countries in liner conferences on equal terms.

Freight rate questions and conference practices

27. Representatives of developing countries considered that freight rates charged on goods moving in the international trade of those countries were generally high and rising despite the substantial increase in the volume of cargo shipped and were frequently discriminatory in character; they cited examples from the trade of their own countries in support of this view. They pointed out that high freight rates often formed an obstacle to the expansion of their export trade, especially in times of falling

prices of primary commodities, which formed the bulk of the export trade of the developing countries. The representative of one developing country deplored the fact that liner companies serving his country's trade had not adapted their vessels to carry unitized cargoes. The representative of another developing country pointed out that liner conferences had failed to lower freight rates despite the fact that significant port improvements had taken place in some developing countries. The practice of carriers of charging high general cargo rates for exports of non-traditional products from developing countries was particularly deplored by the representatives of developing countries and they argued that what were needed, among other measures, were negotiations on equal terms between shippers and shipowners, as opposed to the unilateral determination of rates by the conferences.

28. In calling for the completion of freight-rate studies by the UNCTAD secretariat as rapidly as possible, the representatives of developing countries thought it would be inappropriate to postpone all action until the completed studies became available. They considered that certain specific courses of action should be undertaken promptly, including the implementation of the following principles, namely (a) the right of their national lines to be admitted on an equal footing into liner conferences and similar organizations servicing their international trade; (b) liner conferences and similar organizations to have authoritative representation in developing countries; and (c) publication of information, including advance notice of rate changes, and other cargo arrangements by liner conferences and similar organizations. In connexion with the latter principle, it was stated that the period of advance notice and the effective date of rate increases should not vary from one country to another and that that period should be sufficiently long. The representatives of some developing countries advocated the development of their countries' own regulatory powers. They also called upon the Governments of developed countries to use their influence to help developing countries as they did not hesitate to use their influence when their own interests were at stake.

29. A scheme of promotional freight rates for a limited period of time in the liner trades for the export of manufactured and semi-factured products of developing countries was recommended by the representatives of some of these countries. They urged the Governments of developed maritime nations to use their influence with the liner conferences to translate such a scheme into action. The representatives of some other developing countries requested the UNCTAD secretariat to make a study of the problems involved in applying such a scheme and to report to the Committee on Shipping, since they feared that promotional freight rates might lead to higher rates on primary commodities.

30. The representatives of developing countries considered that the major problem with freight rates for the main bulk cargoes was how to ensure that the potential operating economies of larger vessels were not seriously reduced in practice by poor conditions in the ports. For that reason, international assistance and co-operation should, in their opinion, be mobilized on a large scale to improve port facilities in developing countries.

31. The representative of one developing country suggested that the secretariat's freight-rate studies on particular commodities should also include jute, and the representatives of some developing countries mentioned the need for a study on rubber, as requested by the International Rubber Study Group, as well as studies of other commodities such as tea and ores, the world market prices of which were severely depressed. The representative of one developing country suggested a regional study on East African shipping problems.

32. The representatives of some developing countries considered that the Conference should, in the interests of equity, call upon the developed maritime nations to put an end to the practice of exporting to the developing countries on a c.i.f. basis and importing from them on an f.o.b. basis.

33. The representatives of several developing countries suggested that the UNCTAD secretariat should prepare a report on the type of assistance that the United Nations was able to offer to developing countries in the field of shipping and on what help the developed countries were able to offer. They suggested that the secretariat should inform the Committee about the nature of its plans for training in shipping economics and management. The secretariat circulated a note on the subject (TD/II/C.4/2) and drew attention to a report by the Secretary-General of the United Nations on the inter-secretariat division of responsibilities in the field of transport (TD/66/Supp.1) and particularly to paragraph 14 thereof.

34. The representatives of several developed market-economy countries agreed with speakers from developing countries on the desirability of achieving the lowest possible cost of transporting world seaborne trade, an object of prime importance to all countries. They stressed, however, that shipping in their countries was a private industry which had to show a fair return and that the level of freight rates had to be freely negotiated between shippers and shipowners. In that connexion, the important role of the consultation machinery was re-emphasized. On the matter of regulation of freight rates, some of these representatives pointed out the danger of conflicting national legislation which would be to the detriment of all countries concerned. The representatives of a number of developed market-economy countries pointed to the fragmentary nature of the available evidence and drew attention to the declining trend in freight rates for tanker and dry bulk cargoes, which had been brought about by reductions of shipping costs in those sectors of the industry. These representatives also called attention to the limited possibilities of reducing liner costs in the trades of developing countries, because of the high incidence of port costs and excessive time spent in port in these trades, and the more limited feasibility of introducing rationalization of services or containerization of cargoes.

35. The representative of one developed market-economy country said it was virtually impossible to determine the costs of liner services, as far as individual commodities were concerned, even when factual data for whole voyages were available. He suggested that the studies at present being undertaken could help to provide a conceptual framework, but that practical solutions could only be formulated by the parties directly involved.

36. On the question of promotional freight rates for the non-traditional export products of developing countries, the representatives of some developed market-economy countries expressed themselves in favour of such rates provided that they were voluntarily negotiated between the parties concerned and took account of all the economic interests involved. However, the representative of one developed market-economy country drew attention to the possibility that promotional rates for some products might have to be compensated by higher freight rates on others. The representative of another developed market-economy country opposed promotional rates in principle as an impediment to the operation of free market forces. One representative noted that a promotional rate for the exports of one country might be considered to be discriminatory by another exporting the same commodity.

37. The representatives of several developed market-economy countries were in favour of further changes in liner conference practices, notably as regards policies of admission to conferences, and also concerning such matters as representation in developing countries and publication of, and advance notice of changes in, freight rates and conditions of carriage. They noted that considerable progress had already been made in that field. Some of those representatives referred to the difficulties experienced by their own countries' national lines in obtaining admission to conferences serving their trades and stated that membership of conferences generally should be open to all well-established lines. However, the representative of another developed market-economy country stated that his country favoured a system of efficient closed conferences, subject to the safeguards contained in his country's legislation, as a means of modernizing and rationalizing services and reducing the number of port calls per sailing.

38. Representatives of developed market-economy countries who referred to the problem of f.o.b./c.i.f. trading practices felt that any changes in these practices raised questions outside the field of shipping, and that it would thus be inappropriate for the Committee to recommend any action.

39. The representatives of the socialist countries of Eastern Europe stated that they supported the just claims of the developing countries whose economies suffered from the monopolistic tendencies of liner conferences which often fixed discriminatory freight rates. They considered that the study of freight rates was proceeding too slowly while the shipowners continued to raise rates. Concrete proposals eliminating discriminatory practices in freight rates should be worked out. They also argued that difficulties could be caused for shippers by liner conferences that defined their spheres of operation widely, but did not provide adequate services to all the ports in the range. They considered that the participation of the fleets of developing countries in liner conferences on equal terms was a useful safeguard against abuse of their powers. One of those representatives proposed that, independently of the freight-rate studies, certain conference practices be studied, *inter alia* shippers' contracts and deferred rebates. As regards commodity studies, he further expressed the hope that the secretariat studies

would be expanded to include iron-ore, manganese-ore, and grains.

Liner freight-rate index number

40. The possibility of constructing index numbers of liner freight rates was discussed by the representatives of a number of developing countries. They pointed out that no index number could ever be perfect but that carefully prepared indices could be of great value if used carefully. They stressed the importance of seeking guidance in this field from the largest possible number of sources, especially from sources in developing countries, and called upon all concerned to help by supplying the information that would be necessary if such indices were to be constructed.

41. The representatives of some developed market-economy countries agreed with the feasibility study under discussion, that a world-wide index would not be very meaningful (TD/29, para. 5). Several of those representatives considered, however, that index numbers of liner freight rates for trade routes or commodities might be useful. Others held the view that further studies by the secretariat were necessary before a firm project could be undertaken in this field, and that the subject should be decided by the Committee on Shipping. Among the suggestions made was one that any index to be constructed should take into account data for routes between developing countries and socialist countries, and another that the secretariat might also study the evolution of freight rates for bulk commodities exported by developing countries. The representative of one developed market-economy country was of the opinion that it was difficult to establish an analogy between tramp and liner freight rates because of the port cost elements incorporated in liner freight rates: a liner freight-rate index would largely reflect port productivity, not just carrying costs. The representatives of some developed market-economy countries doubted the validity of the concept of measuring the purchasing power of goods in terms of freight rates because the factors involved were of a different nature, and warned against the use of a liner freight index in this context.

42. The representatives of some socialist countries of Eastern Europe considered that, in the construction of index numbers of liner freight rates, it was important to seek the views of experts from the widest possible background, including developing countries.

43. The representative of the Secretary-General of UNCTAD stated that the secretariat was now in a position to start work on the construction of index numbers of liner freight rates. He emphasized how important the co-operation of the liner conferences would be in that kind of work, and appealed for support for the project from all concerned.

44. At its 26th meeting on 18 March, the Committee considered a draft resolution submitted by Chile, the United Kingdom of Great Britain and Northern Ireland and the Union of Soviet Socialist Republics (TD/II/C.4/L.21) and sponsored by Romania at the same meeting. The Committee unanimously decided to recommend to the Conference the adoption of this draft resolution, the text of which is reproduced in appendix I to this report.

Prior to this decision the draft resolution contained in document TD/II/C.4/L.9/Rev.1, reproduced in appendix II, was withdrawn by its sponsor.

45. After the Committee had taken this decision, the representatives of two countries stated that, while supporting the draft resolution, they maintained their Governments' views: they did not support the closed liner conference system and considered that a shipping line of any country, whether developing or developed, should be admitted to the conference serving the foreign trade of that country.

Chapter III

Shipping industry in developing countries, including expansion of merchant marines in developing countries

(Agenda item 13 (c))

46. Delegations from all groups of countries expressed their satisfaction with the secretariat report on this subject (TD/26 and TD/26/Supp.1). It was agreed that every country had the right to establish or expand its national merchant marine if it wished to do so and that it was entirely for each individual country to reach its own decision in this respect. Representatives of all groups of countries recognized the value of studies, to be carried out by each individual country, of the feasibility of the establishment or expansion of the merchant marines. There was general agreement on the importance of training for both crew and managerial staff, and the assistance received from both developed market-economy and socialist countries in this field was acknowledged by developing countries. It was also widely agreed that in some cases it might be advantageous for developing countries to organize their shipping industries on a basis of regional or sub-regional co-operation or as joint services.

47. The representatives of many developing countries pointed out that the imbalance in the distribution of the tonnage of the world's merchant fleet placed those countries at a disadvantage. Besides, in their opinion, current monopolistic practices prevailing in international shipping created obstacles to participation by the merchant fleets of developing countries in the world freight market.

48. The representatives of the developing countries emphasized that national merchant marines should be established or expanded on the basis of national economic criteria. They considered that such national criteria were mainly the favourable effects on the balance of payments, trade promotion, influence on conference decisions, and the general impact on basic sectors of the economy. In that context the representatives of several developing countries gave concrete examples to show that the concept of sound economic criteria, generally emphasized by the developed market-economy countries, could not be strictly applied to the developing countries.

49. With regard to the question of cargo preference, that is, the reservation of a certain proportion of cargo for carriage by ships of the national merchant marine, the representatives of developing countries drew attention to the fact that some major maritime countries had them-

selves practised a policy of cargo preference in the early years of the development of their own national merchant marines, and pointed out that some developed market-economy countries still practised certain forms of this policy. The representatives of the developing countries considered that the practice of cargo preference was justified on account of the difficulties experienced by the developing countries in trying to obtain reasonable shares in liner and bulk trades and of the considerable assistance in some cases granted by the developed countries to their own fleets, on a scale which developing countries could not hope to match without running the risk of creating budgetary and inflationary problems. They stated that in those circumstances cargo preference should not be viewed as a discriminatory device but simply as a necessary method of assistance for the merchant marines of the developing countries. They called upon the Conference to recognize the right of developing countries to reserve a fair share of the cargo transported to and from those countries, as stated in the Charter of Algiers (TD/38, part two, D, para. 3 (c)).

50. The representatives of developing countries attached great importance to the achievement of satisfactory solutions to a number of problems affecting their countries in the matter of financing the purchase of ships — both new and second-hand. They considered that these countries should be given opportunities to buy new ships on commercial deferred credit terms, through loans reimbursable over a period of at least ten years and at a low rate of interest, and that there should be no limitation placed on the possibilities of financing the purchase of ships from regular aid funds. They considered, furthermore, that the guarantees offered by the national banks of developing countries should be accepted as adequate cover for deferred credit, and that agencies should be established for financing the sale of vessels to developing countries on deferred payment terms, especially in the case of second-hand vessels. In that connexion, they pointed out that at present no institutional arrangements existed for financing the purchase of such vessels, which in many cases offered economic investment possibilities. The representatives of some developing countries cautioned that when second-hand vessels were purchased they should not be economically or technically obsolete.

51. The representatives of developing countries explained how the expansion of trade among those countries was hampered by the inadequacy of existing shipping services. They considered that in cases where such trade flows needed to be promoted and were unprofitable in the initial stages, temporary and declining assistance should be provided to shipowners in the developing countries from a special United Nations fund. They requested the UNCTAD secretariat to identify the routes which offered a reasonable trade potential and on which shipowners might need such special assistance to cover operational losses in the initial period.

52. The representatives of several developing countries pointed out that, as had also been recognized by one developed market-economy country, the shipping operations of some developing countries had shown better financial results than the shipping of developed countries. The balance of advantage with respect to cost of transporta-

tion in future might, in their opinion, lie with the shipping of developing countries and hence comparatively greater stress should be placed on the growth of shipping in these countries. A suggestion was made that UNCTAD should make a study of the comparative operational cost of merchant marines of developed and developing countries.

53. The representatives of developed market-economy countries referred to the international nature of shipping and the advantage to exporting and importing countries of efficient international shipping services through an international division of labour based on comparative advantage. The national interest would not necessarily be better served by using national rather than foreign shipping.

54. The representatives of the developed market-economy countries stated that investments in the establishment or expansion of merchant marines should be made on the basis of sound economic criteria. In further discussing the nature of those criteria, some of the representatives said that undue weight should not be given to factors external to the enterprise because of the uncertainty attaching to these factors. They also stressed the capital-intensive nature of investment in shipping, its low and volatile returns, the risk of capital losses being incurred on the sale of ships and the fact that net foreign exchange gains from shipping would have to be evaluated in relation to those arising from alternative uses of the productive resources involved.

55. The practice of cargo preference, or flag discrimination, as a means of assisting the growth of a national merchant fleet was opposed by representatives of most developed market-economy countries, who drew attention to the adverse effects of such practices on the efficiency of the industry, and hence on the level of freight rates. In particular, they pointed out that national shipping protected by cargo preference would be less efficient than when exposed to normal international competition because the incentives for reducing costs and adopting new technology would be reduced, the capacity of the world fleet would not be optimally utilized, the freedom of shippers to choose between carriers would be restricted and the ensuing cost increases would have adverse effects on the trading interests of all countries. They considered that the potentially adverse economic effects of cargo preference also applied to the bulk carrier and tanker trades as well as to the liner trades, since such preferences would inhibit the use of multipurpose vessels in triangular voyages. In their opinion, shipping could not make its full contribution to the expansion of world trade unless it was flexible and able to seek cargoes in all ports without discrimination.

56. The representatives of a number of developed market-economy countries supported the view expressed in the preliminary secretariat report (see TD/26, para. 36), that if governmental assistance to nascent shipping industries was found necessary in some developing countries, some kind of subsidy would be preferable to cargo preferences, because it was impossible to ascertain or control the real cost of cargo preferences. The representative of one developed market-economy country, while emphasizing his country's opposition to the reservation of commercial cargoes to national flags, stated that his

country followed a policy of cargo reservation affecting half of its government-sponsored shipments. As such shipments accounted for only 5 per cent by volume of his country's international sea-borne export trade, only 2.5 per cent of such trade was reserved to the national flag.

57. It was stated by the representatives of some developed market-economy countries that demands for cargo preferences were often a reaction to restrictive admission policies of liner conferences and that larger shares for carriage by national merchant marines in national trades could be better secured by conference policies of liberal and equitable of national lines.

58. The availability of commercial credits for the purchase of new vessels built in their respective countries was mentioned by representatives of a number of developed market-economy countries. In some cases, export credits for second-hand vessels were also said to be available. They stated that the proposals made by the representative of one developing country for an improvement in commercial credit terms for buyers from developing countries would have to be studied carefully before any opinion could be expressed. The representatives of some developed market-economy countries drew attention to the disadvantages that would accrue if attempts were made to set up new international financial institutions when existing institutional arrangements were already adequate. In that connexion, it was confirmed by some developed countries that the provision of finance for the purchase of ships was within the terms of reference of the International Bank for Reconstruction and Development (IBRD) and the representative of one developed market-economy country pointed out that IBRD had recently stated, in reply to a question from the Organisation for Economic Co-operation and Development (OECD), that the reason why it had not provided funds for ships was not one of policy, but that the developing countries had not requested aid for the purpose.

59. The representatives of several developed market-economy countries expressed the willingness of their Governments to continue their efforts to provide technical assistance to shipping industries in developing countries, including the training of seafarers. One of those representatives urged that existing bilateral programmes of technical assistance should be made multilateral where possible and that developing countries should give adequate priority to shipping in their requests for technical assistance through United Nations channels.

60. The representatives of a number of socialist countries of Eastern Europe stated that their Governments were aware of the problems encountered by developing countries in trying to build up their national merchant marines. They pointed out that their countries had established and expanded their national merchant marines under difficult political and economic conditions which to a certain extent had resembled those in the developing countries. They stated that the role of their countries' merchant marines in the extension of economic ties with the developing countries was of great importance and would increase in future. The representatives of several socialist countries of Eastern Europe expressed their Governments' readiness to share their experience in this field for the benefit of the developing countries concerned.

61. Several of those representatives described the contribution which their countries had made in the field of training personnel for the shipping industry of the developing countries and which they were willing to continue in the future. One representative of a socialist country of Eastern Europe acknowledged the merchant marine's favourable effect on the balance of payments, on the expansion of intra-regional and interregional trade and on the increase of national income. Among the main factors responsible for the expansion of his country's merchant marine were the growth of sea-borne trade, the development of the shipbuilding industry and of schools for the training of seamen and shore personnel. In the comprehensive development of his country's maritime economy, great stress had been placed initially on the reconstruction of ports. His country was prepared to share with the developing countries the benefit of its experience in scientific research in all sectors of the maritime economy. The representative of another socialist country of Eastern Europe stressed the importance of co-operation in the field of shipbuilding and maritime transport for the developing countries. The representative of another socialist country did not support the principle expounded by certain countries that the establishment of merchant marines should be based only on so-called sound economic criteria and stated that not only purely commercial criteria but also general economic and political factors, such as the importance of a national fleet for ensuring economic independence, for regional trade and for influencing the policy of liner conferences, should be taken into account. He considered that preferential treatment granted by the developing countries in respect of their national merchant marines could not be regarded as discriminatory since it was designed to meet the requirements of foreign trade and was not aimed at excluding or limiting the participation of vessels of certain countries in this trade. He added that one promising field of co-operation was the further extension of regular cargo lines between his country and the developing countries. His country was prepared to extend its practice of chartering vessels to transport those countries' cargoes on the basis of mutual benefits. He described how his country had entered into a joint shipping service agreement with a developing country, under the terms of which both parties carried equal proportions of the available cargo.

62. The representative of another socialist country stressed that not only developing countries, but also all other countries, should be interested in the systematic and timely solution of problems arising in the establishment or expansion of merchant marines in developing countries. The approach to those problems should be in conformity with the principle of just geographical distribution of the world merchant fleet, taking into account the volume and prospective trends of imports and exports and the training of skilled engineering and technical personnel, economic and managerial staff and other factors.

63. At its 26th meeting on 18 March, the Committee considered a draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazza-

ville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia (TD/II/C.4/L.11 and Corr. 1). The text of the draft resolution is reproduced hereunder:

SHIPPING INDUSTRY IN DEVELOPING COUNTRIES INCLUDING
EXPANSION OF MERCHANT MARINES OF DEVELOPING COUNTRIES

Development of merchant marines of developing countries

The United Nations Conference on Trade and Development,

Considering that the establishment and expansion of merchant marines in the developing countries can make a substantial contribution to the development of different sectors of the economies of these countries and, in particular, to the improvement of their balances of payments,

Affirming that the merchant marines of the developing countries must have an equitable share in their international trade in liner and bulk commodities,

Taking note of the difficulty being experienced by the developing countries in obtaining adequate deferred payment terms for purchase of vessels from the developed countries,

Bearing in mind the importance of merchant fleets of developing countries in assuring the growth of trade among these countries, as well as between them and other countries, by the establishment of new shipping routes,

Recognizing the importance of regional or sub-regional co-operation between developing countries in the field of shipping,

Recognizing that adequate training facilities and trained personnel are essential for establishing and expanding the fleets of the developing countries and welcoming the facilities provided and offers made by several countries in this connexion,

Aware of the need to establish, expand and make the maximum use of the shipbuilding industries of the developing countries,

Commending the comprehensive and useful documents published by the UNCTAD secretariat on the subject,

1. Concludes that in view of the special nature of shipping and the large economic benefits flowing from it the terms on which ships are sold to the developing countries should be comparable to 'soft aid' terms as far as possible;

2. Recommends

(a) That the Governments of the developed countries should take the following steps:

- (i) New ships should be sold to the developing countries on deferred payment terms involving repayment after the delivery of the vessel in not less than ten years, with a suitable period of grace, and at a low rate of interest;
- (ii) Suitable second-hand vessels should be sold to the developing countries on deferred payment terms extending up to eight years;
- (iii) a. Guarantees given by the national financial institutions of the developing countries should be accepted as adequate cover for the deferred portion of payments for vessels, both new and second-hand, purchased by developing countries; and

b. Arrangements should be made for financing the sale of second-hand ships to developing countries on deferred terms;

(b) That Governments of developed countries and international agencies should provide financial support to encourage shipbuilding industries in developing countries, including the export of the products of these industries;

(c) That a small group be appointed by the UNCTAD secretariat to identify sea lanes of interest to developing countries, especially between those countries which have a traffic potential and which need to be provided with special assistance to develop adequate shipping services and also to suggest measures for international assistance for promoting such shipping services; and

(d) That developing countries should examine the feasibility of establishing regional or sub-regional merchant fleets;

3. Recommends that the Secretary-General of the United Nations and the Administrator of the United Nations Development Programme should take appropriate steps to enable the training course in the economics and management of shipping, as proposed in document TD/II/C.4/2, to be carried out by the UNCTAD secretariat;

4. Declares that all countries should recognize the right of developing countries to assist their merchant marines, including the right to reserve a fair share of the cargo transported to and from these countries, and requests the developed countries to co-operate fully with the developing countries in the implementation of this declaration;

5. Declares further that the regulations enacted by developing countries with a view to achieving the aforementioned objectives should not be considered as justification for the adoption of any retaliatory measures by the developed countries and their shipping conferences.

64. The Committee was unable to reach agreement on this draft resolution and accordingly decided to refer it to the Conference in plenary.

65. After the Committee had taken this decision, the representatives of the sponsors stated that they maintained their position as reflected in the draft resolution.

66. The representatives of socialist countries of Eastern Europe and other socialist countries declared that they confirmed their position in regard to the shipping industry in developing countries and shared the desire of those countries that the Conference should adopt a resolution on the development of merchant marines. They expressed general agreement with the spirit of the draft resolution, but had reservations about some of the sponsors of that draft resolution as well as about several operative paragraphs which in their opinion should be redrafted so as to enlist wider support in the Conference.

67. All representatives of developed market-economy countries reiterated that they recognized the right of developing countries to establish and expand merchant marines. In the early stages, these merchant marines might require financial assistance from the Governments of the developing countries concerned until they could operate on a sound economic basis, but the great majority of developed market-economy countries were opposed to cargo reservation as a method of assistance. Most representatives of developed market-economy countries were of the opinion that terms of credit for the purchase of ships should normally be based upon commercial criteria. They considered, however, that the Governments of developed market-economy countries, directly or through

international and regional financial institutions, might be invited to pay close attention to requests from developing countries for financial assistance for the acquisition of ships within the framework of development plans or policies of the developing countries concerned. All representatives of developed market-economy countries stressed the importance of the training of personnel for the establishment and expansion of merchant marines, and favoured appropriate steps within the framework of the United Nations Development Programme (UNDP) and existing arrangements elsewhere.

68. At its 26th meeting on 18 March, the Committee also considered a draft resolution submitted by Australia, Brazil, France and Ivory Coast (TD/II/C.4/L.20). The Committee unanimously decided to recommend to the Conference the adoption of this draft resolution, the text of which is reproduced in appendix I to this report. Prior to this decision, the draft resolution contained in document TD/II/C.4/L.14, reproduced in appendix II, was withdrawn by its sponsors.

Chapter IV

Review of recent developments and long-term trends in the field of shipping and international legislation thereon in the light of recommendations and other provisions of the Final Act of the first Conference

(Agenda item 13 (a))

A. INTERNATIONAL LEGISLATION ON SHIPPING

69. Representatives of all groups of countries welcomed the report prepared at the request of the UNCTAD secretariat by a consultant, Mr. T. K. Thommen (TD/32 and Corr. 1) as a useful starting point for the discussion.

70. In the course of the Committee's debate a suggestion was made by the representative of the Secretary-General of UNCTAD that it might be useful to obtain information about the programme of work of the United Nations Commission on International Trade Law (UNCITRAL). It was decided that the Chairman should be asked to communicate with the Chairman of UNCITRAL on this matter. Accordingly, the Chairman of the Committee sent the following telegram to the Chairman of UNCITRAL on 20 February (TD/II/C.4/L.4/Rev. 1):

"Fourth Committee of the second session of the United Nations Conference on Trade and Development currently considering international legislation on shipping under agenda item 13 (a). Acting on behalf of the Committee I would appreciate receiving immediately information whether UNCITRAL work programme to be adopted at this session will include items on international public and private legislation in the field of maritime transport and, if so, which specific subjects and what priority will be attached to these questions."

He received a reply on the same date (see TD/II/C.4/L.4/Rev.1):

"UNCITRAL decided that the following topics should be given priority in its work programme: (a) International sale of goods; (b) International payments; (c) International commercial arbitration. UNCITRAL also accepted a

working paper stating that a great number of delegations considered that certain other topics, including 'transportation' should form future work programme of Commission. No specific discussion took place regarding international public and private legislation in field of maritime transport."

71. The representatives of developing countries stressed the importance of the subject and affirmed that UNCTAD was competent to deal with it. In the present discussion they were mainly concerned with the commercial and economic aspects of international legislation on shipping. They considered that a large proportion of the existing body of legislation had originated at times when the interests of the developing countries were not taken into account and could generally be said to favour the shipowners at the expense of shippers. They stated that various aspects of the law in this field should be adjusted so as to remedy these defects. In particular, they considered that the law and practices relating to bills of lading, charter-parties, limitation of shipowners' liability and marine insurance were all unsatisfactory from the point of view of developing countries. They considered that there was a serious need for improvement of the legislation in those fields as well as for filling gaps in fields where legislation did not exist.

72. The representatives of developing countries emphasized that a general convention on the economic and commercial aspects of shipping should be drafted. In that connexion, they suggested that an international conference should be convened at an early date. To that end studies could be undertaken on the economic consequences for developing countries of existing maritime conventions, and of present gaps in the field, as well as studies of legal aspects related thereto.

73. The representatives of several developing countries suggested further fields for international action, such as the problems raised by the need for compatibility between bilateral conventions and national legislation, on the one hand, and multilateral legislation, on the other. The representatives of some developing countries also stressed that they should be able to request guidance from the UNCTAD secretariat in the preparation of national legislation on the economic and commercial aspects of shipping. They drew attention to the fact that even the existing conventions on technical matters of maritime traffic had economic implications for the developing countries. The representative of one developing country pointed out that the efforts of some countries to obtain for their merchant fleets a fair share of the cargoes transported to and from their territory could be considered a subject related to international legislation on shipping. The representative of another developing country suggested that the problem arising in connexion with multi national fleets should be studied.

74. The representatives of some developing countries considered that UNCTAD had a major role to play in initiating action towards the harmonization and unification of existing conventions. Furthermore, it was, in their opinion, necessary to ensure that conventions in the field of maritime legislation were universally applied and were interpreted in the same way in all countries.

75. The representative of one developing country pointed out that, in spite of their wishes, the Govern-

ments of developing countries were not always in a position to give effect to certain international legislation on shipping because of their lack of technical capacity and because of the financial implications involved, so that efforts should be made to assist the developing countries to overcome their special problems by providing technical assistance or showing flexibility in the application of international rules on shipping.

76. The representatives of developing countries examined the scope of the activities of various organizations working in the field of international shipping law and considered to what extent those organizations were competent to deal with the economic and commercial aspects of the law preoccupied developing countries. They stated that neither IMCO, which was concerned with technical questions, nor the International Maritime Committee, which was in any case a non-governmental organization and lacked resources for a major work programme, could be considered appropriate for the purpose of taking action in relation to those economic and commercial aspects. In this connexion, the representatives of some of these countries stated that the composition of the major bodies of IMCO did not fully represent the interests of developing countries. Furthermore, in the light of the telegram from the Chairman of UNCITRAL, the representatives of developing countries considered that the work on the economic and commercial aspects of international legislation on shipping would almost certainly go by default for a long time unless UNCTAD itself took some definite initiative in this field.

77. The representatives of developing countries discussed the relationship between UNCTAD and UNCITRAL in the light of General Assembly resolution 2205 (XXI). They pointed out that UNCITRAL was required to report simultaneously to UNCTAD and to the General Assembly. The representatives of some developing countries considered that the best course might be for UNCTAD to take concrete and substantive action in the field of international legislation on shipping, taking into account particularly its economic and commercial aspects. Other developing countries suggested that for its purpose the best course might be for UNCTAD to invite a group of experts to study the main commercial and economic aspects of international legislation on shipping that preoccupied developing countries and to suggest how the legislation might be improved. The report of the group of experts would be transmitted to UNCITRAL by the Committee on Shipping and would thus form the basis for recommendations for specific action to be taken by UNCITRAL. The representatives of developing countries considered that UNCTAD should play a positive role in this field and that international legislation on shipping should be added to the work programme of UNCTAD. The representatives of some developing countries suggested that UNCTAD should envisage the possibility of reviewing the existing inter-governmental machinery dealing with shipping matters in the light of the interests of the developing countries in the field of maritime transport.

78. The representatives of developed market-economy countries noted the existence of certain deficiencies and gaps in international law relating to shipping. One of

these representatives said that time-lags were inevitable in the legislative process in cases where legislation of a technical and commercial nature was concerned, because amendments to conventions succeeded changes in methods and practices. Some of those representatives pointed out, however, that the fact that a certain matter was not governed by an existing international convention did not of itself demonstrate the need for, or the practicability of, preparing such a convention. They stated that there were a number of commercial matters in shipping which were not suitable for international conventions. On the question of the limitation of shipowners' liability, which had been referred to by the representatives of several developing countries as needing attention, the representative of a developed market-economy country thought that any increase in the shipowners' liability would lead to an increase in insurance premiums and hence in freight rates.

79. The representatives of developed market-economy countries took the view that action to remedy any genuine deficiencies in the international legislation on shipping should be taken in existing specialized bodies, whether by increased participation in existing conventions or by the formulation of new conventions and regulations. They stated that the expert knowledge available in existing bodies was comprehensive and that it would be more productive to utilize those bodies than to establish new institutions dealing with the international legislation on shipping. In that connexion they drew attention to the newly created Legal Committee of IMCO. In their opinion, the constitutions of the existing bodies provided adequately for a fully representative membership of developing countries, though in some cases, the operation of these bodies might perhaps need to be improved.

80. The representatives of developed market-economy countries stressed UNCITRAL's responsibility for co-ordinating the activities of organizations operating in the field of international trade law. They stated that the international legislation on shipping could also come within the scope of UNCITRAL's co-ordinating functions. They emphasized the close organic links between UNCTAD and UNCITRAL as laid down in General Assembly resolution 2205 (XXI). One of these representatives commented that UNCITRAL's present programme of work had been drawn up without UNCTAD having expressed any opinion on the order of priorities which UNCTAD might favour. He suggested that a desirable procedure might be for the Conference to make its views on international legislation on shipping known to UNCITRAL so that the latter could be aware of UNCTAD's views in considering its future programme of work.

81. As regards the possible role of UNCTAD in the field of international legislation on shipping, the representatives of some developed market-economy countries opposed the inclusion of legal studies in the work programme of the Committee on Shipping. They pointed to the difficulty of discussing such matters in a non-specialized forum and to UNCTAD secretariat's lack of specialized legal staff and to its already full programme of work. They proposed, however, that the secretariat should include a review of developments in the international law of shipping in its annual reviews of current developments

and long-term trends in shipping (as already provided for under item V of the programme of work of the Committee on shipping).⁴ They considered that the Committee on Shipping could discuss any specific issues arising out of this review and draw the attention of the appropriate international bodies to the desirability of taking such action as that Committee might see fit to recommend.

82. The representatives of the socialist countries of Eastern Europe agreed with the representatives of the developing countries that some aspects of international legislation on shipping were in need of reform. They stated that UNCTAD should play a positive role in seeking solutions to the problems that existed in the field of international legislation on shipping, and that for this purpose studies within the framework of UNCTAD should be undertaken on those aspects of the international law of shipping which appeared to be most urgently in need of reform. Some representatives of the socialist countries of Eastern Europe supported the suggestion of developing countries for the establishment of a group of experts to consider and prepare for the Committee on Shipping an analysis of matters requiring uniform regulation and modernization in the field of international legislation on shipping.

83. The representative of a socialist country of Eastern Europe associated himself with the view expressed in Mr. T. K. Thommen's report (TD/32 and Corr. 1 para. 67) that owing to the limited liability and the immunities of the shipowners some cargoes were likely to be insured twice over.

84. The representatives of several socialist countries proposed that an international instrument (a convention or agreement) determining the relations between States in the field of international shipping should be worked out. The ideas of harmony and co-operation in international shipping between States should be reflected in such an instrument. General agreement on such questions as flag discrimination and freedom of competition, which were the subject of many disputes and discussions, as well as principal rules regulating the regime of international shipping and ports, should also be reflected in such an instrument so that it could contribute to the normalization and improvement of relations between States in the field of shipping.

85. The representative of one socialist country added that an international instrument (convention or agreement) was necessary in view of violations of the freedom of shipping by some countries on the high seas and in the territorial waters of other countries.

86. The same representative also pointed out that international co-operation in the field of shipping, particularly in maritime legislation, could become effective to the fullest extent subject to equal participation of all interested countries, and in that connexion he emphasized that the German Democratic Republic had the right to participate in the work of the Committee on Shipping as well as in other UNCTAD bodies. The representative of one developed market-country pointed out that the com-

position of UNCTAD had been exhaustively defined by the General Assembly of the United Nations in its unanimously adopted resolution 1955 (XIX), and that consequently only States which were Members of the United Nations or members of the specialized agencies or of the International Atomic Energy Agency were entitled to participate in the work of the Committee as well as in other UNCTAD bodies.

87. The representative of the Secretary-General of UNCTAD made a statement (TD/II/C.4/L.5) in which he called for the exercise of the greatest care to ensure that there would be no overlapping of activities in the field of international legislation on shipping among the various United Nations bodies. He drew attention to the fact that UNCITRAL was competent to deal with international legislation on shipping, and to the conviction of the Secretary-General of UNCTAD that co-operation with UNCITRAL would be fruitful.

88. The Secretary-General of IMCO made a statement in which he described the work of that organization. He stated that IMCO was prepared to consider particular problems referred to it by UNCTAD in so far as they were within its terms of reference.

89. At its 26th meeting on 18 March, the Committee considered a draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia (TD/II/C.4/L.15). The text of the draft resolution is reproduced hereunder:

REVIEW OF RECENT DEVELOPMENTS AND LONG-TERM TRENDS IN THE FIELD OF INVISIBLES INCLUDING SHIPPING AND INTERNATIONAL LEGISLATION THEREON IN THE LIGHT OF RECOMMENDATIONS AND OTHER PROVISIONS OF THE FINAL ACT OF THE FIRST CONFERENCE

International legislation on shipping

The United Nations Conference on Trade and Development,

Affirming that legal matters related to the commercial and economic aspects of the maritime law are fully within the purview of the UNCTAD which is vitally concerned with them, as they affect the international trade of the developing countries,

Noting that the existing maritime conventions tend to reflect primarily the interests of shipowners and of advanced maritime countries,

Recognizing the basic concept that the law must take note of the changing needs of society,

Observing that the existing international legislation on shipping does not cover many important economic and commercial aspects of maritime activity,

⁴ See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 2, annex II.*

Convinced of the need for an early review of some areas of the existing international legislation concerned with commercial and economic aspects of shipping,

Commending the role played so far by several international organizations in this field, and welcoming the establishment of the United Nations Commission on International Trade Law (UNCITRAL),

Noting that UNCITRAL has at present not included shipping legislation in its work programme,

Recommends:

(a) That the Trade and Development Board instructs the Committee on Shipping of UNCTAD to create a Standing Committee on International Shipping Legislation, hereinafter called the Standing Committee, from among the member States, to operate along the following lines:

- (i) The Standing Committee should review all commercial and economic aspects of international legislation on shipping in order to identify areas where modifications are needed and to directives concerning new legislation which has to be drafted;
 - (ii) The Standing Committee may ask UNCITRAL to take up the work of drafting new conventions on the subjects identified by the Standing Committee according to its directives and also to set up a sub-committee or a separate working group exclusively for the purpose of this work; and
 - (iii) If it should appear to the Standing Committee that UNCITRAL is not able to draft the required legislation according to the time schedule prescribed by the said Committee, the Committee should undertake the drafting itself in consultation with UNCITRAL if necessary;
- (b) That the following subjects, among others, should be taken up for drafting appropriate conventions or for revising existing legislation, and that the drafting of the necessary conventions should be completed in about a year's time:
- (i) A convention on charter parties;
 - (ii) A convention on marine insurance; and
 - (iii) Amendments to the International Convention for the Unification of Certain Rules relating to Bills of Lading, 1924;
- (c) That the Standing Committee should examine the feasibility of drafting a general convention on maritime transportation and development dealing with the commercial and economic aspects of shipping, which might be considered by an international conference to be convened under the auspices of UNCTAD;

Requests:

- (a) The UNCTAD secretariat to undertake immediate and intensive studies on the economic and commercial aspects of international legislation and to submit them to the Committee on Shipping and its Standing Committee;
- (b) The UNCTAD secretariat to provide Governments of member States of UNCTAD at their request with model legislation on shipping questions; and
- (c) That the UNCTAD secretariat and other inter-governmental bodies responsible for international legislation should arrange for a review of progress made by member States in the implementation of such international legislation as may result from the work of the Standing Committee.

90. The Committee was unable to reach agreement on this draft resolution and accordingly decided to refer it to the Conference in plenary.

91. After the Committee had taken this decision, the representatives of the sponsors stated that they maintained their position as reflected in the draft resolution.

92. The representatives of the socialist countries of Eastern Europe and other socialist countries stated that they were in favour of a resolution on international legis-

lation on shipping to be adopted at the Conference. In their view, the draft resolution might have been a basis for such a resolution, subject to some alterations in its sponsorships as well as in the text of the operative part.

93. All representatives of the developed market-economy countries stated that in their view international legislation on shipping should not be included in the programme of work of the Committee on Shipping. They considered that the existing inter-governmental and international organizations dealing with questions of maritime law continued to do useful work for the international community. The terms of reference of the recently established UNCITRAL, one of the purposes of which was to avoid duplication of work, included the progressive harmonization and unification of the law of international trade, and also specifically provided for the submission of its annual reports to UNCTAD. All representatives of the developed market-economy countries felt that the Conference should ask the Trade and Development Board to consider as a matter of priority what appropriate steps should be taken to ensure that proper consideration was given to UNCITRAL's reports.

B. RECENT DEVELOPMENTS AND LONG-TERM TRENDS IN THE FIELD OF SHIPPING

94. At the 19th meeting of the Committee on 23 February, the representative of a developing country stated that, in view of the practical impossibility of publishing a statistically up-to-date review of trends and developments in shipping before about the beginning of February in any one year, it would be desirable that the annual meeting of the Committee on Shipping should take place in March or April, as the members of the Committee would only by then have had sufficient time to take account of the most recent data. There appeared to be a general agreement on that proposal.

95. At its 24th meeting on 29 February, the Committee considered a draft resolution (TD/II/C.4/L.7 and Corr.1) which had been submitted by the Chairman after consultation with representatives of all groups of countries. The Committee unanimously decided to recommend to the Conference the adoption of this draft resolution, the text of which is reproduced in appendix I to this report.

C. DIVISION OF RESPONSIBILITIES AMONG THE UNITED NATIONS SECRETARIAT UNITS CONCERNED WITH TRANSPORT QUESTIONS

96. In the course of its second session, at its 37th meeting on 8 March 1967, the Committee on Shipping adopted a resolution recommending that the Secretary-General of the United Nations be asked to consider ways of avoiding duplication of activities among the United Nations secretariat units dealing with shipping and ports.⁵ The Economic and Social Council in its resolution 1202 (XLII) of 26 May 1967, addressed a like recommendation to the Secretary-General.

⁵ See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 2, annex I (c)*.

97. The Secretary-General of the United Nations, having considered ways of avoiding duplication of activities within the United Nations secretariat units dealing with shipping and ports, set out his decision in a report (TD/66/Supp.1), which was submitted to the Conference for its information.

98. The representative of the Secretary-General of UNCTAD answered a number of questions from representatives of developing and developed market-economy countries relating to various matters mentioned in document TD/66/Supp.1.

99. At its 26th meeting on 18 March, the Committee considered a draft resolution submitted by Chile on substantive support for technical assistance (TD/II/C.4/L.10). The Committee unanimously decided to recommend to the Conference the adoption of this draft resolution, the text of which is reproduced in appendix I to this report.

Chapter V

Port improvements: progress report on studies by the secretariat

(Agenda item 13 (e))

100. Representatives of all groups of countries recognized the importance of port efficiency as one of the major determinants of the real costs of ocean transport, as was stated in the UNCTAD secretariat's progress report on development of ports (TD/B/C.4/23, paras. 15 and 16). They considered that improvements in port facilities and operations in the developing countries could contribute significantly to the expansion of the trade of those countries, and that careful appraisals of the need for investments for that purpose should be made in each country in the light of its economic conditions.

101. The representatives of a number of developing countries gave examples of ways in which their countries had improved their ports. In that connexion they drew attention to the interrelation of turn-round conditions in ports and liner freight rates. They considered that improvements carried out in their countries' ports had not been reflected in corresponding reductions in liner freight rates. They considered that, in the absence of reductions in liner freight rates when turn-round conditions improved, the benefit of the investments undertaken by the developing countries would accrue solely to the shipowners. They considered that, if improved turn-round conditions were not reflected in lower freight rates for the ports concerned, then the incentive to developing countries to improve their ports would be greatly reduced. They stated that poor turn-round conditions in ports of developed countries were not reflected in surcharges on those ports.

102. The representatives of a number of developing countries stressed that port development should be regarded as an integral part of general economic development. They considered that it was therefore necessary to make estimates of the future volume and types of seaborne trade which would pass through ports, and to plan port developments in the light of such estimates, with due allowance for the effects of technical changes in

shipping that might occur during the period in question. In their opinion, UNCTAD should play a positive part in the preparation of such plans and projections, which could be divided into two main categories: first, those not requiring heavy capital investment, and second, by major schemes calling for substantial amounts of capital.

103. In connexion with the financing of port investments, the representatives of a number of developing countries mentioned the useful work that had been done by the IBRD and the International Development Association (IDA) in that field. At the same time, they considered that existing international financial institutions should be requested to participate to a greater extent in the financing of port investments, and also that a special fund with appropriate resources should be established specially for the financing of investments in the ports of developing countries. They considered that finance should be provided to defray the costs of the feasibility studies as well as for the actual investments themselves. The finance for such purpose should be made available on low interest rates and on liberal repayment terms.

104. The representatives of a number of developing countries suggested that UNCTAD should provide substantive support for increased technical assistance for the improvement of ports in developing countries, and that UNCTAD should initiate a thorough study on unitization of cargoes, including containerization, for such a study would help individual developing countries to carry out further feasibility studies of their own particular cases. The representative of one developing country drew attention to the urgent need for a training programme for port personnel covering the economies of port operations and the movement of shipping and handling of cargo in ports and connected inland transport.

105. The representatives of several developing countries drew attention to the importance of dredging in maintaining and increasing the depths of channels. They stated that the maintenance of adequate depths, which was especially important in view of the size of modern vessels, was often hampered in their countries by their inadequate dredging fleets. They considered that a special study on dredging was called for which would indicate ways in which the developing countries could obtain modern dredging equipment.

106. In discussing particular aspects of the secretariat's progress reports on this subject (TD/25 and Corr. 1, para. 27, and TD/B/C.4/23), the representatives of developing countries expressed the opinion that a larger number of ports should be selected for detailed study than had been proposed by the secretariat, in order to reflect fully the diverse requirements and problems of ports in different countries.

107. The representative of one developing country drew attention to the special problems of land-locked countries and stated that his delegation attached great importance to international through-rates.

108. Representatives of developed market-economy countries indicated the importance they attached to port investments in developing countries, and cited specific examples of assistance which their countries had given in field.

109. The representative of a developed market-economy country stated that it was the policy of his country that its ports should pay for themselves and that port costs should be borne by the users of ports. He pointed to the possibility of reducing port costs without high capital expenditure by removing organizational bottle-necks.

110. The proposition that the benefits of improvements in a particular port should accrue in full to users of that port was mentioned by the representatives of some developed market-economy countries. They stated that liner conferences usually followed a practice of averaging freight rates over a range of ports and that any departure from that practice would raise difficult problems of measurement of costs as well as the question of discrimination. They suggested that regional co-operation and the use of consultation machinery could contribute to a solution of such problems.

111. It was suggested by the representative of one developed market-economy country that regional co-operation had a role to play in the development of centralized ports on which overseas liner traffic would be concentrated and which would serve outlying ports in a region by coastal feeder services.

112. The representative of another developed market-economy country stated that, in so far as there was a choice between investment in ports and in shipping, port investment should have a higher priority. He argued that, while shipping services could be purchased by any country on the world market, port facilities were the responsibility of each individual trading country.

113. The representatives of several developed market-economy countries mentioned their Governments' willingness to continue to provide financial and technical assistance to developing countries in improving their ports, though one of them expressed doubts as to the wisdom of any proposal for establishing a new financial institution for that specific purpose. The representative of one developed market-economy country referred to the Ports and Shipping Seminar which his Government, in collaboration with the United Nations Secretariat, had been organizing regularly for several years.

114. The representatives of several socialist countries of Eastern Europe stressed the value of the studies on ports now being carried out by the UNCTAD secretariat. They stated that their countries had provided technical assistance for a number of developing countries in the construction, reconstruction and operation of ports. Experts from some socialist countries had been made available to developing countries to deal with the problems of port improvements as well as to train local port personnel. Quite a number of technicians from developing countries were studying in some socialist countries at institutions specializing in different fields of port operations, and that type of assistance would continue.

115. The representative of one socialist country of Eastern Europe stated that, although the costs incurred in ports represented a substantial portion of freight costs and therefore influenced the international payments situation of the developing countries, the question of port improvements had not so far received the attention it deserved. The relative inadequacy of the studies made by

the secretariat on the question limited the practical usefulness of its studies in other fields of maritime transport. His delegation therefore requested the secretariat to broaden and systematize its work on the question of port improvements, paying special attention to the conditions prevailing in the ports of the developing countries. In addition to studies regarding the practical possibilities of improving the operation of specific ports, it might also be useful to work out a general theory of port improvements that would indicate the conditions for the optimum working of ports of various sizes and types and taking into consideration the various types of cargo they handled. Due attention should also be paid to the different types of financing available.

116. The representative of another socialist country of Eastern Europe explained how shipping services between certain Eastern European countries and West Africa were organized. He considered that the advantages arising from containerization would accrue to the ship-owners rather than to the shippers under the present organization of shipping in capitalist countries.

117. The representative of the Secretary-General of UNCTAD made a statement in which he noted that all groups of countries attached a great deal of importance to questions of port improvement, a view with which the secretariat fully concurred. He stressed that technological change in shipping would make port problems even more important in the future, and that there was a vital need for developing countries to make full feasibility studies before undertaking major investments in ports. He mentioned briefly the main fields of port economics in which the secretariat was working and stated that its research in this field would be intensified within the limits of available resources. On the question of the training of staff in port operation, he stated that, as had been mentioned by one representative, the United Nations Secretariat and that representative's Government jointly organized seminars on the subject, and that these were held alternately in the sponsoring country and in a developing country. He stated further that the suggestion for a training programme for port personnel would be carefully studied.

118. At its 26th meeting on 18 March, the Committee considered a draft resolution submitted by Chile and Denmark (TD/II/C.4/L.13/Rev.1 and Rev.1/Corr.1), superseding a draft resolution (TD/II/C.4/L.13) which had previously been withdrawn by its sponsors. The Committee unanimously decided to recommend to the Conference the adoption of draft resolution TD/II/C.4/L.13/Rev.1 and Rev.1/Corr.1, the text of which is reproduced in appendix I to this report. The earlier draft contained in document TD/II/C.4/L.13 is reproduced in appendix II.

Chapter VI

Review of recent developments and long-term trends in the field of invisibles (Agenda item 13 (a))

A. INSURANCE AND REINSURANCE

119. In the discussion of this subject many delegations emphasized that UNCTAD should continue to pursue the

objectives laid down in recommendation A.IV.23⁶ of the first session of the Conference.

120. There was general satisfaction with the secretariat's report on progress in the implementation of the work programme (TD/24 and TD/24/Supp.1). The representatives of some developed market-economy countries emphasized the private contractual nature of insurance and reinsurance operations and considered that UNCTAD's work on insurance had clarified many of the problems involved in meeting the desire of developing countries that the funds generated by insurance and reinsurance operations in a particular country should be retained within the country both for balance-of-payments reasons and for the domestic financing of development.

121. Representatives of some developing countries, referring to a report by the Secretary-General of the United Nations on the inter-secretariat division of responsibilities in the field of insurance (TD/24/Add.1), noted with satisfaction that there was no duplication between UNCTAD activities in the insurance field and those undertaken, in a different context, by the Department of Economic and Social Affairs at United Nations Headquarters.

122. Representatives of all groups stressed the necessity of training senior insurance executives and supervisory officials as an important factor in strengthening the insurance markets and institutions in developing countries. There was general agreement that the UNCTAD secretariat should provide substantive support for technical assistance and training, as recommended both by the Expert Group on Reinsurance (TD/B/C.3/29) and by the Committee on Invisibles and Financing related to Trade.⁷ The representatives of several developed market-economy countries indicated that they would continue or expand their bilateral assistance programmes and the representative of one socialist country of Eastern Europe referred to the international seminar for insurance personnel from developing countries which his Government was planning to arrange under the auspices of UNCTAD.

123. Many representatives emphasized the objective, stated in recommendation A.IV.23 of the first session of the Conference, of strengthening national insurance and reinsurance markets in developing countries. It was generally agreed that the work programme in this field established by the Committee on Invisibles and Financing related to Trade,⁸ and the secretariat studies which that Committee had requested, would contribute to the achievement of the objectives set out in the recommendation in question. Referring to paragraph 5 of that recommendation, to the effect that in their aid programmes developed countries should not prescribe conditions limiting the rights of developing countries to require insurance to be placed in the national market, the representative of one developing country suggested that the secretariat should consult aid-giving countries with a view to finding ways of

safeguarding the interests of national insurance industries in the developing countries. The representative of another developing country considered that large foreign firms should not insist on the insurance services being channelled to the investor country but should allow all the services to be provided by the local insurance companies. The representative of one socialist country of Eastern Europe considered that one important way of strengthening the position of the developing countries with respect to national insurance markets would be to strengthen the state banking and insurance sector.

124. The representatives of developing countries said that the outflow of funds in respect of insurance and reinsurance premiums constituted a serious drain on their scarce foreign exchange resources and affected their balance-of-payments position. They also referred to the contribution which the investment of the resources of insurance institutions (foreign and national) could make to the financing of economic development.

125. The representatives of developing countries therefore welcomed the recommendations of the Expert Group on Reinsurance (TD/B/C.3/29), cited in the report of the Committee on Invisibles and Financing related to trade on its second session,⁹ which had been convened in 1966, as well as the Group's suggestions for further work to be undertaken by the UNCTAD secretariat in such fields as insurance legislation, supervision and market, insurance statistics, technical assistance and training, and reinsurance. They reiterated their support of the section of the Charter of Algiers (TD/38, part two, D, 6) dealing with insurance and reinsurance, which invited developed countries to reduce the cost of reinsurance to developing countries, urged that a substantial part of the technical reserves of the insurance and reinsurance companies should be retained in the countries where premium income arose and also that developing countries should be technically and financially assisted in building up their own insurance and reinsurance facilities. The representative of one socialist country of Eastern Europe said that the present situation in the world reinsurance market was far from favourable to the developing countries. He therefore supported the conclusions of the Expert Group on Reinsurance as well as the request made in the Charter of Algiers that reinsurance conditions in the international market should be eased.

126. In connexion with the investment of technical reserves within the country in which the premium income arises, the representatives of developing countries pointed out that the figure of 60 per cent of total premium income recommended by the Expert Group on Reinsurance in paragraph 13 of its report was a compromise and expressed the hope that agreement could be reached in the future on a higher percentage. The representative of one developing country expressed the view that the time had come to ensure the implementation of the experts' recommendation on that subject; he pointed out that the Committee on Invisibles and Financing related to Trade, with the endorsement of the Trade and Development Board, had commended the recommendations of the Expert Group to

⁶ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 55.

⁷ See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 3, annex I.C.*

⁸ *Ibid.*, Third Session, Supplement No. 3, annex I (b).

⁹ *Ibid.*, Fifth Session, Supplement No. 3, annex I, appendix.

Governments and to the insurance industry with a view to their considering the possibility of implementing them.¹⁰ It was further suggested that the UNCTAD secretariat might approach the insurance industry with a view to obtaining the adoption of a standard clause in reinsurance arrangements which would take account of the experts' recommendation on technical reserves. The suggestion was made that in general it might be useful if periodic meetings of representatives of countries interested in insurance questions were called, so that the problems of developing countries could be discussed and reviewed.

127. The representatives of some developing countries attached special importance to the study of marine insurance, which was an important debit item in their countries' balance of payments. One of those representatives suggested that the subject might be studied in the context of international legislation on shipping and that the possibility should be examined of developing countries insuring, within their own markets, the carriage of goods moving in their foreign trade, instead of their having to take out such insurance abroad. The importance of studies of the investment of insurance funds was also emphasized.

128. The representatives of developing countries expressed satisfaction that at its recent session the Trade Committee of the Economic Commission for Asia and the Far East (ECAFE) had decided to initiate a work programme in insurance, in close co-operation with UNCTAD, and were confident that this would complement UNCTAD's own work programme, without any duplication of activities. They also believed that the report of the Expert Group on Reinsurance and the work of the secretariat confirmed that the practical difficulties involved in retaining reinsurance funds within regional groupings of developing countries were exaggerated. Representatives of countries participating in regional reinsurance pools or other regional arrangements stressed the importance of such arrangements among developing countries and offered to put their experience at the disposal of other interested countries.

129. The representative of one socialist country of Eastern Europe pointed out that insurance, like all other invisibles, played an important role in the balance of payments and the foreign economic relations of the developing countries and that one of the functions of the Committee on Invisibles and Financing related to Trade was to examine the aggregate influence of services in this regard. He drew attention to the need for a detailed study of the problems of the developing countries in the field of invisibles in the context of trade and development.

130. At its 26th meeting on 18 March 1968, the Committee considered a draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Leso-

tho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia (TD/II/C.4/L.16). The text of the draft resolution is reproduced hereunder:

REVIEW OF RECENT DEVELOPMENTS AND LONG-TERM TRENDS IN THE FIELD OF INVISIBLES INCLUDING SHIPPING AND INTERNATIONAL LEGISLATION THEREON IN THE LIGHT OF RECOMMENDATIONS AND OTHER PROVISIONS OF THE FINAL ACT OF THE FIRST CONFERENCE

Insurance

The United Nations Conference on Trade and Development,

Recalling the recommendation on insurance and reinsurance in Annex A.IV.23 to the Final Act adopted by the Conference at its first session,

Taking note of the progress report of the UNCTAD secretariat¹¹ and the report by the Secretary-General of the United Nations¹² indicating the work programme of UNCTAD and its competence to deal with, *inter alia*, insurance and reinsurance legislation,

Noting with satisfaction the recommendations of the Expert Group on Reinsurance¹³ which reported to the Committee on Invisibles and Financing related to Trade at its second session,

Considering that the implementation of these recommendations, especially with regard to the basis for setting up technical reserves in the country where premium income arises, would constitute an important step toward implementing one of the objectives of the recommendation in Annex A.IV.23 of the Final Act of the first Conference,

Considering the role that insurance and reinsurance can play in assisting the process of economic development, through the services provided to industry, agriculture and other sectors, as well as to individuals, and through the strengthening of the balance-of-payments of developing countries,

Reaffirming the importance of establishing and strengthening insurance and reinsurance institutions and markets in developing countries so that they can contribute most efficiently to economic development and growth,

Welcoming the interest displayed by the regional economic commissions of the United Nations, as well as by other intergovernmental and non-governmental organizations, in insurance and reinsurance problems of developing countries,

Stressing the need for growing co-operation among the insurance and reinsurance institutions of developing countries with a view to strengthening their national insurance and reinsurance markets, in particular with regard to the enlargement of the underwriting and retention capacity of those institutions and markets,

Recommends that:

(a) Governments of developed countries should urge insurers and reinsurers in their countries not only to reduce the cost of reinsurance to developing countries but also to provide better terms for reinsurance, including reciprocity on a profit-to-profit basis;

¹¹ TD/24.

¹² TD/24/Add.1.

¹³ TD/B/C.3/29.

¹⁰ *Ibid.*, Supplement No. 3, annex I, A.

(b) Governments of developed countries should urge their investors in developing countries to utilize as fully as possible the insurance services of national companies of developing countries;

(c) Governments of developed countries and their insurers and reinsurers should expand their assistance to developing countries by financial and other means in order to strengthen and consolidate the national insurance and reinsurance markets of the developing countries;

(d) A substantial part of the technical reserves of insurance and reinsurance companies should be retained for reinvestment in those countries where premium incomes arise; in particular:

(i) Reinsurance treaties between reinsurers in developed countries and direct insurers in developing countries should provide that the reinsurers contribute at least 60 per cent of the gross reinsurance premiums to the setting up of technical reserves by direct insurers, except in so far as a higher percentage is prescribed under existing provisions; and

(ii) Reinsurers should invest a reasonable part of their capital in the developing countries;

(e) Developed countries should help the developing countries, preferably under the auspices of the UNCTAD, in:

(i) Research into insurance problems, giving priority to the questions raised at the first session of the Conference, which are indicated in Annex A.IV.23 to the Final Act; and

(ii) The training of insurance personnel;

(f) Special measures should be adopted to minimize developing countries' foreign exchange outlays on insurance and reinsurance;

(g) Wide publicity should be given by the countries themselves and by the UNCTAD secretariat to such arrangements as are indicated in the foregoing paragraphs which have already been successfully adopted or implemented by developing countries;

(h) Appropriate action should be taken to implement the recommendation contained in paragraph 5 of Annex A.IV.23 of the Final Act of the first session of the Conference, namely that "developed countries which provide aid to developing countries should not prescribe conditions limiting the rights of the developing countries to require insurance to be placed in the national market".

131. The Committee was unable to reach agreement on this draft resolution and accordingly decided to refer it to the Conference in plenary.

132. After the Committee had taken this decision, the representatives of the sponsors stated that they maintained their positions as reflected in the draft resolution.

133. The representatives of the socialist countries of Eastern Europe and other socialist countries regretted the failure on the part of some delegations to reach an agreement regarding a resolution on insurance. For their part, the socialist countries were prepared to work on the basis of the draft, subject to some corrections to the list of sponsors as well as to a few operative paragraphs. Moreover, they considered that agreement might have been reached through informal consultations.

134. Representatives of developed market-economy countries fully recognized the importance of insurance and reinsurance for the further development of international trade and commerce and their special interest to the developing countries. They considered that the general lack of insurance experts in the delegations made it impossible to agree on a generally acceptable draft resolution. With reference to proposals set out in the report of the Expert Group on Reinsurance on the possibility of investing a stated percentage of technical reserves in the country where the premium income arose and the invest-

ment of part of the insurers' capital (which conflicted with the accepted insurance principle that, for the protection of the insured, funds should be held centrally), they stated that agreement was found to be difficult to achieve since the above report was still under consideration by Governments. However, they expressed their countries' willingness to continue discussions on insurance in the appropriate continuing machinery of UNCTAD.

B. TOURISM

135. It was generally recognized that tourism could bring great benefits to developing countries through its contribution to the balance of payments and to economic growth and that planning for tourism in developing countries should be integrated into over-all economic planning, appropriate priority being accorded to the tourist sector. The economic, social and cultural advantages of international travel were also frequently mentioned and several representatives recalled the International Tourist Year (1967) which had been declared by the General Assembly of the United Nations in its resolution 2148 (XXI) of 4 November 1966.

136. Representatives from all groups of countries expressed their satisfaction with the progress of work in the field of tourism as recorded by the secretariat in its report (TD/24) and welcomed the close co-operation between the UNCTAD secretariat, the IUOTO, the regional economic commissions and other inter-governmental and non-governmental bodies. The representative of one developing country suggested that UNCTAD should move away from generalities and direct its efforts towards securing the implementation of recommendation A.IV.24 in the Final Act of the first session of the Conference.¹⁴

137. The representatives of developing countries emphasized that their countries were confronted with a number of obstacles in their attempts to enlarge their share (at present only about 20 per cent) of a constantly expanding world travel market, and that these could be alleviated by action both on their own part and on the part of developed countries. Particular mention was made in that connexion of the level of air fares, restrictions imposed by developed countries to protect their balance of payments, international financial assistance in the provision both of infra-structure (such as roads and airports), for tourism and of accommodation and other amenities, and technical assistance in both the training of personnel and the general framing of tourist development programmes. The representative of one developed market-economy country drew attention to the importance of access and accommodation as means of facilitating tourist traffic.

138. Representatives of several developing countries suggested that the different obstacles to the development of tourism in developing countries which had been mentioned in the course of the debate might be studied by the UNCTAD expert group on the planning of the devel-

¹⁴ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 55 and 56.

opment of the tourist sector in the economies of developing countries which was to be convened in accordance with a decision of the Committee on Invisibles and Financing related to Trade,¹⁵ and put forward a number of other suggestions in that connexion. The representative of one developing country suggested that the secretariat should study the feasibility of regional and sub-regional co-operation in tourism. The representative of another developing country referred in this connexion to co-operation at the sub-regional, regional and inter-regional levels between developed and developing countries and to the desirability of involving travel agents and carriers in such arrangements so as to ensure that developing countries were increasingly drawn into tourist circuits. It was also suggested that UNCTAD should study the potential of developing countries that could attract tourists.

139. The suggestion was made by the representative of a developed market-economy country that, in addition to continuing its programme of studies and stressing the importance of tourism to the balance of payments, the UNCTAD secretariat should give support to United Nations technical assistance and brief experts. The representative of another developed market-economy country drew attention to part C ("Technical assistance in insurance and tourism") of the resolution adopted by the Committee on Invisibles and Financing related to Trade at its second session,¹⁶ which he assumed would be implemented in conformity with resolution 31 (IV) of the Trade and Development Board.

140. Representatives of many developing countries expressed concern at measures being taken by certain developed countries in order to protect their balance of payments which they feared would impede travel to developing countries. Particular reference was made to proposals which were at present before the United States Congress, aimed at discouraging travel beyond the Western Hemisphere. They urged that such measures, if unavoidable, should not be allowed to impede travel to developing countries, and it was questioned whether in most cases the importance of tourism to the balance of payments justified the imposition of such measures in developed countries. The representative of the United States of America gave an assurance that the measures taken or envisaged in his country concerning the travel abroad of its citizens would be purely temporary and would be removed as soon as circumstances permitted. It was furthermore the intention of his Government, as regards all the measures adopted to protect the balance of payments, that they should not affect developing countries, but in practice this intention could not always be fully realized. One representative stressed the consequences which the measures contemplated by the United States of America could have for his country and he expressed the hope that such measures, if carried out, would have the least possible effect on the flow of tourism into developing countries and that, as the United States representative had stated, they would be purely temporary and would be removed as soon as possible.

141. Representatives of developing countries emphasized the need for bilateral and multilateral financial and technical assistance for the provision of tourist infrastructure and other facilities in developing countries, for the training of personnel and for the framing of tourist development programmes and planning of resorts or other projects. They pointed out that international financial institutions such as the International Finance Corporation should participate more actively in the provision of project finance for the construction of hotels and other tourist amenities. The desirability of improved co-ordination in the provision of credits to developing countries for tourism was also mentioned.

142. The representative of one developing country suggested that the expert group on the planning of the tourist sector in the economy of developing countries might consider the feasibility of establishing an international tourist development fund for this purpose. He suggested that tourism should be recognized by developed and developing countries as a development sector of the economy. The representative of a developed market-economy country doubted the practicability of a tourist development fund. He considered that each country had to determine its own priorities. While his own Government would be sympathetic to financial assistance for tourism when a receiving country accorded that sector priority, it believed that the terms of assistance should be related to the over-all economic conditions of the country concerned and not to a more generalized concept of terms appropriate universally to the tourist sector.

143. In connexion with international finance for the preservation of sites and monuments in the context of tourism, the representative of UNESCO made a statement on the work of his organization and in explanation of the UNESCO secretariat's report (TD/45). In the view of his organization there was a need for inter-sectoral projects to be carried out in co-operation with UNDP, UNCTAD and other bodies, of which the preservation of cultural assets in the context of tourism would be one component. Only in that way could they expect to obtain international financial support in their efforts to help developing countries preserve their cultural heritage.

144. Representatives of developed market-economy countries and of several socialist countries of Eastern Europe gave an account of their Governments' assistance to developing countries and indicated their willingness to continue and expand their aid programmes in this respect. The representative of a developed market-economy country stated that, from the deliberations of the United Nations Conference on International Travel and Tourism, held in Rome in 1963, it had become evident that in the developing countries several prior conditions must exist if they wished to attract mass tourism — the only form of tourism of any real value in terms of foreign exchange earnings. The first step of the developing countries should be to analyse in detail their tourist market prospects, as tourist trends and habits were liable to change. In addition to official aid, the same representative's Government offered the private sector incentives for assisting developing countries in tourism and had commissioned a national research institute to prepare a study of possible future trends in tourist travel to certain developing coun-

¹⁵ See *Official Records of the Trade and Development Board Fifth Session, Supplement No. 3*, annex I, B.

¹⁶ *Ibid.*, annex I, C.

tries. That study should be valuable both for the countries concerned and for private investors. The representative of one socialist country of Eastern Europe, stressing the importance of bilateral efforts to improve and enlarge the supply of tourist installations, referred to the possibility that long-term loans might be granted for the building of hotels, to be repaid out of income arising from, or by services provided to, tourists from the creditor countries. He underlined also the role of training personnel for tourism, suggesting the diversification and extension of the training programmes organized by international organizations.

145. The representatives of several developing countries and of several socialist countries of Eastern Europe pointed to the high cost of air travel from developed countries to many developing countries and suggested that the UNCTAD secretariat, in co-operation with other bodies, should study the question of air fares and the possibility of their reduction. They referred to recommendation A.IV.24 in the Final Act of the first session of the Conference, which dealt with that subject among others. The representative of one developing country drew attention to a recent example of how speedily air fare reductions could be agreed upon within the International Air Transport Association (IATA) machinery if the will was there. Reference was made in this connexion to the Charter of Algiers (TD/38, part two, D, 7 (c)), where it was proposed that passenger fares to developing countries should be concessional and attractive.

146. The representatives of several developing countries and also of one developed market-economy country

suggested that the possibilities of charter flights from developed to developing countries needed further study. The representative of another developed market-economy country, while accepting the other provisions of the Charter of Algiers concerning tourism, stated that he could not accept the recommendation on passenger fares for reasons similar to his country's opposition to inter-governmental action on freight rates, namely that these were commercial matters. The representative of yet another developed market-economy country drew attention to the fact that this subject was being examined by the International Civil Aviation Organization (ICAO) and IATA.

147. The representative of IUOTO conveyed to the Committee a message from the President of his organization, in which he expressed satisfaction with the close co-operation existing between UNCTAD and IUOTO. He believed that the expected transformation of his organization into an inter-governmental body would further facilitate co-operation with UNCTAD and with other United Nations bodies.

148. At its 26th meeting on 18 March, the Committee considered a draft resolution submitted by Ceylon, Chile, India, Indonesia, Mexico, Netherlands, Ukrainian Soviet Socialist Republic and United Republic of Tanzania (TD/II/C.4/L.22), and sponsored by Romania and Tunisia at the same meeting. The Committee unanimously decided to recommend to the Conference the adoption of this draft resolution, the text of which is reproduced in appendix I to this report. Prior to this decision the draft resolution contained in document TD/II/C.4/L.17, reproduced in appendix II, was withdrawn by its sponsors.

APPENDICES

Appendix I

DRAFT RESOLUTIONS RECOMMENDED BY THE FOURTH COMMITTEE FOR ADOPTION BY THE CONFERENCE

Consultation machinery in shipping (Agenda item 13 (d))

ESTABLISHMENT OF CONSULTATION MACHINERY IN THE FIELD OF SHIPPING (TD/II/C.4/L.6/Rev.1)

The United Nations Conference on Trade and Development,

Recalling the "Common Measure of Understanding on Shipping Questions" (Annex A.IV.22^a of the Final Act of the first session of the Conference in which it was agreed that effective machinery should be established for consultation between the liner conference and the shippers' organizations serving each country,

Endorsing the resolution adopted by the Committee on Shipping at its twenty-fifth meeting on 24 February 1967^b and endorsed by the Trade and Development Board at its fifth session,^c inviting the

Governments of the developing countries to encourage the establishment of consultation machinery in accordance with the special needs and requirements of individual countries and also inviting the governments of countries with experience in such consultation to co-operate with the governments of the developing countries in the establishment of shippers' councils or equivalent bodies and consultation machinery and further drawing the attention of the governments of the developing countries to the possibility of obtaining technical assistance and guidance regarding the establishment of shippers' councils and consultation machinery from the United Nations,

Noticing that the progress made in this direction has not been appreciable,

Recognizing that consultation between shippers and shipowners is essential, in their mutual interest,

Considering the necessity of tariffs and other relevant notices being made available freely to all concerned in order to enable meaningful consultation,

Appreciating the secretariat's exhaustive report on *Consultation Machinery in Shipping*,^d

^a See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 54 and 55.

^b See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 2, annex I (a)*.

^c See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14, part one, para. 135*.

^d TD/B/C.4/20/Rev.1 (United Nations publication, Sales No.: 68.II.D.1) and TD/13 and TD/13/Supp.1.

Bearing in mind the role that the regional economic commissions can play in the field of shipping and their close and continuing awareness of the conditions and problems related thereto in their respective regions (TD/66/Supp.1),

Recommends:

1. That the Governments of member States of UNCTAD should urge liner conferences and equivalent organizations, directly or through the shipowners members of them,

(a) To recognize shippers' councils or equivalent bodies and co-operate in the establishment and effective functioning of appropriate consultation machinery according to the special needs and requirements of each country or group of countries;

(b) To make suitable arrangements for authoritative representation in the countries or groups of countries having consultation machinery and hold prompt and regular consultations;

(c) To make provisions in their constitution or working arrangements to the effect that they would discuss with shippers' councils or equivalent bodies questions pertaining to freight rates, conference practices, adequacy of shipping services, and other matters of common interest within the consultation machinery of the country or group of countries concerned;

(d) To make their tariffs and other relevant notices on request available freely to all interested parties, as well as to the UNCTAD secretariat in so far as such information is required in relation to studies contained in the UNCTAD work programme;

2. That the secretariat of the UNCTAD provide, within available resources and consistent with paragraphs 6 and 7 of the resolution on the Committee on Shipping dated 24 February 1967^{*} and within the framework of UNDP and the United Nations regular programme of technical assistance and in co-operation with the regional economic commissions, substantive support and guidance with respect to member countries' requests for technical assistance towards the establishment and effective administrative and technical operation of consultation machinery and shippers' councils; and also, where appropriate, advise governments;

3. That the Governments of member States of UNCTAD should, whenever they consider it necessary, inform the UNCTAD secretariat and the appropriate regional economic commission of their experiences in the establishment and functioning of the aforesaid consultation machinery and request the circulation of this information by the UNCTAD secretariat to all member States of UNCTAD.

Level and structure of freight rates, conference practices and adequacy of shipping services: progress report on studies by the secretariat
(Agenda item 13 (b))

FREIGHT RATES AND CONFERENCE PRACTICES (TD/II/C.4/L.21)

The United Nations Conference on Trade and Development,

Noting the great importance of freight rates and conference practices to the trade of the developing countries, and recognizing the value of effective consultation procedures in this context wherever consultation machinery exists,

Taking realistic account of the commercial needs of shippers, shipowners and other parties concerned, and

Welcoming the progress report of the UNCTAD secretariat on this item,[†]

1. *Recommends* that the Governments of States members of UNCTAD, particularly of those developed maritime nations whose shipowners have a predominant participation in the liner conferences, invite the conferences and equivalent organizations, directly

or through the shipowners members of them, to take into account the following areas of possible action:

(a) To review and adjust if necessary freight rates which shippers and other interested parties of developing countries consider to be high, bearing in mind the importance of as low a level of freight rates for the traditional exports of developing countries as is commercially possible;

(b) To provide special freight rates for non-traditional exports in order to promote the expansion of the trade of developing countries subject to the provision at (a);

(c) To avoid freight rates set at levels which cannot be justified by the normal criteria for freight rate structures, and also conference practices, which will have the effect of frustrating the export of a product from a developing country in order to encourage the export of the same product from another country served by the same conference, subject to the provision at (b);

(d) To recognize port improvements leading to a reduction in the costs of shipping operations for the purpose of reviewing and adjusting freight rates as appropriate;

(e) To make suitable arrangements for authoritative representation of the liner conferences in the ports of developing countries served by them;

(f) To make their tariffs and other relevant notices on request available freely to all interested parties;

2. *Invites* the UNCTAD secretariat within available resources to pursue the programme of work relating to freight rates, conference practices and adequacy of shipping services and the feasibility of constructing on a regular basis an index of liner freight rates;

3. *Suggests* that additional studies regarding freight rates in respect of important primary products, especially any product constituting a major export of a developing country or facing severely depressed market conditions, and also in respect of selected manufactured and semi-manufactured products, be undertaken by the UNCTAD secretariat, consistent with the resources of that secretariat and with due regard to the availability of suitable data, so as to secure a representative sample of products of interest to the developing countries;

4. *Further suggests* that Governments of member States of UNCTAD within their legal limitations in matters of this kind:

(a) Co-operate with the UNCTAD secretariat by providing information relevant to the programme of work;

(b) Invite shipowners, conferences, shippers and other commercial interests also to co-operate with the UNCTAD secretariat by providing information relevant to this programme of work directly, through appropriate private channels, or in such other way as their Government requires;

5. *Recommends* that the Governments of States members of UNCTAD invite liner conferences and equivalent organizations, directly or through the shipowners members of them, to admit as full members the national flag lines of the developing countries into conferences covering the foreign trade of the developing countries concerned, subject to the rights and obligations of full conference membership.

Level and structure of freight rates, conference practices and adequacy of shipping services: progress report on studies by the secretariat

SHIPPING INDUSTRY IN DEVELOPING COUNTRIES INCLUDING EXPANSION OF MERCHANT MARINES OF DEVELOPING COUNTRIES

(Agenda item 13 (b) and (c))

TERMS OF SHIPMENT (TD/II/C.4/L.20)

The United Nations Conference on Trade and Development,

Considering the relevance of the pattern of sales and purchase contracts for the trade and shipping interests of developing countries,

^{*} See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 2, annex I (a)*.

[†] TD/25 and Corr.1, TD/25/Suppl.1 and Rev.1, TD/25/Supp.2 and Rev.1, TD/25/Supp.3, TD/25/Supp.4.

Recommendations

1. That the UNCTAD secretariat should undertake, in consultation with competent bodies of the United Nations and other international and inter-governmental institutions concerned and within available resources, a study to assess the impact on the trade and shipping of developing countries of the c.i.f. — f.o.b. and related terms used in contracts and giving sellers and purchasers a greater or lesser influence over the maritime transportation on the basis of a sample of imports and exports of developing countries;

2. That this study should be submitted to the third session of the Committee on Shipping and a progress report on all its aspects should be submitted to the next regular session of the Trade and Development Board.

Review of recent developments and long-term trends in the field of invisibles including shipping and international legislation thereon in the light of recommendations and other provisions of the Final Act of the first Conference

(Agenda item 13 (a))

REGULAR SESSIONS OF THE COMMITTEE ON SHIPPING
(TD/II/C.4/L.7*)

The United Nations Conference on Trade and Development,

Taking note of the review presented by the UNCTAD secretariat^{*} and noting furthermore that the first review to be prepared in accordance with the outline approved by the Committee on Shipping at its second session^h will be presented to the Committee at its third session,

Considering, on the one hand, that many of the statistics relating to shipping are compiled on a calendar year basis and are not available until early in the following year and that, on the other hand, it is desirable that the review published annually for the Committee on Shipping should be as up-to-date as possible,

Considering that consequently the UNCTAD secretariat would not be in a position to submit an up-to-date review to the Committee on Shipping before February of each year,

Suggests to the Trade and Development Board that it may therefore wish to arrange for the regular sessions of the Committee on Shipping to be held not earlier than March of each year.

SUBSTANTIVE SUPPORT FOR TECHNICAL ASSISTANCE
(TD/II/C.4/L.10)

The United Nations Conference on Trade and Development,

Taking note of the measures adopted by the Secretary-General of the United Nations to avoid duplication in shipping matters, described in document TD/66/Supp.1,

Aware of the advantages to be derived from the integration of substantive support for technical assistance with research on shipping and ports,

1. Welcomes the concentration of research on shipping and ports within the UNCTAD secretariat and the transfer of substantive support for technical assistance from the Department of Economic and Social Affairs to UNCTAD;

2. Emphasizes the importance of the uninterrupted continuation of substantive support for technical assistance projects, without prejudice to the progress of other aspects of the work programme drawn up by the Committee on Shipping;

3. Recommends that the usual administrative steps should be taken through the appropriate bodies of the United Nations to enable the UNCTAD secretariat to fulfil its tasks, as set forth in document TD/66/Supp.1.

Port improvements: progress report on studies by the secretariat

(Agenda item 13 (e))

DEVELOPMENT OF PORTS (TD/II/C.4/L.13/Rev.1 *)

The United Nations Conference on Trade and Development,

Bearing in mind the resolution entitled "Common Measure of Understanding on Shipping Questions", incorporated as Annex A.IV.22¹ in the Final Act of the first session of the Conference, which emphasized the possibilities of reducing the total cost of transportation by improving existing and establishing new port facilities and which recommended to this end that international financing and aid and technical assistance be made available on favourable terms,

Noting the continuing work being carried out by the UNCTAD secretariat in respect to ports as reflected in document TD/B/C.4/23,

Convinced of the urgent need for practical measures for providing finance and technical assistance to developing countries for port development and modernization, taking into account technical advances in shipping,

Recognizing that both shippers and shipowners have a common interest in port development and that the advantages flowing from port improvement accrue to all,

Appreciating that the limited financial resources of the developing countries may not permit adequate investments from their internal resources for the improvement of their ports,

Believing that due attention should be given to projects designed to improve or develop existing port and harbour facilities, including dredging services, so as to ensure quicker turn-round of ships and to meet the needs of technological changes in shipping,

Reiterating the need to take into consideration port improvements leading to reductions in the costs of shipping operations, when reviewing freight rates and adjusting them as appropriate,

1. *Recommends that:*

(a) The Governments of developed countries member States of UNCTAD, directly or through international and regional financial institutions, give favourable consideration to requests from the developing countries for assistance in connexion with the expeditious development and modernization of ports and related inland transportation facilities in the developing countries;

(b) Financial assistance for port and harbour developments, including dredging equipment, should be made available on favourable terms and conditions as envisaged in recommendation A.IV.22, paragraph 2, of the Final Act of the first session of the Conference, and on as generous terms as circumstances permit;

(c) Priority should be given by developing countries in requesting, and appropriate international agencies should give all due consideration in granting, technical and financial assistance for port improvement schemes which can be implemented without much capital expenditure;

(d) The UNCTAD secretariat should provide, within available resources and within the framework of the United Nations Development Programme and the United Nations regular programme of technical assistance, and as appropriate in co-operation with the regional economic commissions, substantive support and guidance to the agencies concerned, with respect to member States' requests for technical assistance towards the preparation of long-term plans for the development and modernization of ports of the developing countries, those plans being based on the selective development of ports in each country or region keeping in view their current and future needs and technological changes;

* Incorporating document TD/II/C.4/L.7/Corr.1.

^g TD/31 and Corr.1 and Add.1.

^h TD/B/C.4/24.

* Incorporating document TD/II/C.4/L.13/Rev.1/Corr.1.

¹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 54 and 55.

(e) That within available resources the UNCTAD secretariat, taking account of related work already accomplished or being done elsewhere, should undertake studies on the following subjects:

- (i) The impact of technological changes in shipping on future traffic trends and matching port facilities in the developing countries, and in particular of utilization of cargoes, including palletization and containerization;
- (ii) The dredging requirements in developing countries having regard to the need for quick turn-round of vessels;
- (iii) Existing facilities for the training of personnel in the economics of port operation and techniques of port management and administration and, in consultation with other inter-governmental and international bodies concerned, including the regional economic commissions, proposals for such additional training programmes as may be required by developing countries;
- (iv) The impact on freight rates of the operation of selected ports in developed countries;

2. Recommends further that:

Governments of States members of UNCTAD invite liner conferences and equivalent organizations, directly or through the ship-owners members of them, to take into account:

- (a) The need for co-operation with port authorities in developing countries in making effective use of port improvements;
- (b) Port improvements, leading to a reduction in the costs of shipping operations, for the purpose of reviewing and adjusting freight rates as appropriate.

Review of recent developments and long-term trends in the field of invisibles including shipping and international legislation thereon in the light of recommendations and other provisions of the Final Act of the first Conference

(Agenda item 13 (a))

TOURISM (TD/II/C.4/L.22).

The United Nations Conference on Trade and Development,

Fully aware of the significant role that international tourism can play in the economic, cultural, social and educational fields and of its contribution to better understanding among peoples,

Recalling the recommendations made by the United Nations Conference on International Travel and Tourism (Rome, 1963),¹ and the recommendation in Annex A.IV.24^k of the Final Act of the first session of the Conference on measures for increasing the receipts of developing countries from tourism, which was adopted by the Conference without dissent,

Convinced that earnings from tourism have a potential to contribute substantially to the improvement of the balance of payments and to the economic growth of developing countries,

Welcoming the growing interest in the role of tourism in the economies of developing countries displayed by the regional economic commissions, the relevant specialized agencies and other bodies of the United Nations, and the various other international organizations concerned with tourism,

Recognizing the fact that the development of tourism is closely linked with reductions of air-fares, and bearing in mind the potential substantial increase in the volume of passenger traffic with the introduction of high capacity and faster aircraft,

Taking note of the progress report of the UNCTAD secretariat¹ and of the report on cultural tourism submitted by the secretariat of the United Nations Educational, Scientific and Cultural Organization,²

Recalling the message from the President of the International Union of Official Travel Organization (IUOTO) in which he informed the Conference that his organization may shortly become an inter-governmental organization,

1. *Recommends* that Governments of member States of UNCTAD give due consideration to tourist development in their national plans and programmes;

2. *Invites* the Governments of member States of UNCTAD, the permanent institutions of UNCTAD, the regional economic commissions, the relevant specialized agencies and other bodies of the United Nations, and the various other international, governmental and non-governmental organizations such as IUOTO, concerned with tourism, as appropriate, to consider urgent co-ordinated action, paying due attention to the need to eliminate the duplication of work, in the following areas of significance to developing countries:

(a) The continuing collection of statistical data and other information required;

(b) The reduction of travel formalities between countries, particularly those affecting travel to developing countries;

(c) The studies of the different specialized aspects of the development and promotion of tourism;

(d) Technical and financial assistance for pre-investment and market surveys; as well as for directing the implementation of tourist development projects;

(e) Technical and financial assistance including grants and credits on easy terms where appropriate, for specialized tourist services, particularly the hotel industry, and for building the infrastructure vital for the development of tourism;

(f) The training of personnel in the fields of planning tourist facilities, catering and hotel management, the establishment and management of resort centres and publicity and promotion;

(g) Co-operation between developed and developing countries to encourage inter-regional travel to developing countries;

(h) The provision of special passenger tariffs and other facilities for the expansion of tourist traffic, particularly to developing countries;

3. *Invites* the Governments and the various bodies referred to in paragraph 2 of this resolution to consider what studies might be undertaken by an appropriate body on the following:

(a) The relationship of air and maritime fares to the growth of international travel, particularly to developing countries;

(b) The possibility of reducing, as far as is commercially feasible, the cost of air travel, taking into account the exploitation of technological development in the civil aviation industry, the wide use of special and creative fares, and other appropriate means;

4. Urges:

(a) Governments of developed countries which are member States of UNCTAD to endeavour to avoid exchange restrictions on tourism and, where they exist, to remove them as soon as is practicable, and in other ways to facilitate the travel of their residents to developing countries;

(b) Governments of developing countries to bear in mind the importance of creating favourable conditions for the development of their tourist industries;

(c) Governments of member States of UNCTAD to recognize tourism as a development industry and to pay due regard to the recommendations of the United Nations Conference on International Travel and Tourism (Rome, 1963).

¹ See Final Report of the United Nations Conference on International Travel and Tourism (E/3839).

^k See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 55 and 56.

¹ TD/24 and Add.1.

² TD/45.

Appendix II

DRAFT RESOLUTIONS, DECISIONS AND DECLARATIONS SUBMITTED TO THE FOURTH COMMITTEE
(OTHER THAN THOSE REPRODUCED IN THE TEXT OF THE COMMITTEE'S REPORT OR IN APPENDIX I)Consultation machinery in shipping
(Agenda item 13 (d))ESTABLISHMENT OF CONSULTATION MACHINERY
IN THE FIELD OF SHIPPING

Draft resolution submitted by Brazil, Ceylon, Chile, Ghana, Hungary, India, Indonesia, Iran, Ivory Coast, Malaysia, Pakistan, Thailand and Yugoslavia (TD/II/C.4/L.2).

The United Nations Conference on Trade and Development,

Recalling the "Common Measure of Understanding on Shipping Questions" (Annex A.IV.22 of the Final Act of the first session of the Conference)^a in which it was agreed that effective machinery should be established for consultation between the liner conference and the shippers' organizations serving each country,

Endorsing the resolution adopted by the Committee on Shipping at its 25th meeting on 24 February 1967^b and endorsed by the Trade and Development Board at its fifth session^c inviting the Governments of the developing countries to encourage the establishment of consultation machinery in accordance with the special needs and requirements of individual countries and also inviting the Governments of countries with experience in such consultation to co-operate with the Governments of the developing countries in the establishment of shippers' councils or equivalent bodies and consultation machinery and further drawing the attention of the Governments of the developing countries to the possibility of obtaining technical assistance and advice regarding the establishment of shippers' councils and consultation machinery from the United Nations,

Noticing that the progress made in this direction has not been appreciable,

Recognizing that consultation between shippers and shipowners is essential in mutual interest,

Considering the necessity of tariffs and other relevant notices being made available freely to all concerned in order to enable meaningful consultation,

Appreciating the secretariat's exhaustive report on *Consultation Machinery in Shipping*,^d

1. Invites the Governments of the developing countries to take necessary steps, in co-operation with shippers and shipowners, to establish appropriate consultation machinery when it does not exist, or to strengthen it where necessary;

2. Recommends:

(a) That the liner conferences and like organizations should recognize shippers' councils and other similar bodies and co-operate in the establishment and effective functioning of appropriate consultation machinery according to the special needs and requirements of each country and fulfil their responsibility in this connexion;

(b) That the conferences and like organizations should make suitable arrangements for authoritative representation in the countries having consultation machinery and hold prompt and regular consultations;

(c) That all conferences and like organizations should make provision in their constitutions or working arrangements to the effect that they would discuss questions pertaining to freight rates, conference practices, adequacy of shipping services, and other connected matters within the consultation machinery of the country concerned;

(d) That the secretariat of the UNCTAD, on request by the member countries, should provide expert advice and guidance to them, within the framework of the United Nations Development Programme and the United Nations regular programme of technical assistance and in co-operation with regional economic commissions in the establishment and effective functioning of consultative machinery and shippers' councils;

(e) That all conferences should make their tariffs and other relevant notices available freely to all interested parties including the UNCTAD secretariat; and

(f) That the member States of UNCTAD may whenever they consider it necessary inform the UNCTAD secretariat of their experiences in the establishment and functioning of the aforesaid consultation machinery and request for circulation of the same to all member States of UNCTAD.

Level and structure of freight rates, conference practices and adequacy of shipping services: progress report on studies by the secretariat
(Agenda item 13 (b))

FREIGHT RATES AND CONFERENCE PRACTICES

Draft resolution submitted by Chile (TD/II/C.4/L.9/Rev.1).

The United Nations Conference on Trade and Development,

Taking note of the fact that the economies of the developing countries have been seriously affected by the sharp and sustained decline in prices of several primary commodities, particularly those facing competition from synthetic products, while simultaneously freight rates have been rising, and that the competitiveness of primary commodities in world markets, as well as that of manufactured and semi-manufactured goods, is highly sensitive to variations in freight rates,

Convinced of the urgent need for immediate action on freight rates, which are not only continuing to rise but are still discriminatory and restrictive vis-à-vis the developing countries,

Convinced that non-discriminatory practices on the part of the liner conferences and the developed countries are essential for the development of national merchant marines of the developing countries,

Desiring that, to avoid harmful consequences to the exports of the developing countries, there should be no discrimination between different countries in respect of freight rates, their increase, the dates from which the increase becomes effective, and the issue of advance notice for this purpose,

Finding that, since primary commodities constitute the backbone of the economies of the developing countries, there is an urgent need to undertake studies in respect of freight rates for certain commodities with a view to securing their most economical and efficient transportation,

^a See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 54 and 55.

^b See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 2, annex I, (a)*.

^c See *Official Records of the General Assembly, Twenty-second session, Supplement No. 14, part one, para. 135*.

^d TD/B/C.4/20/Rev.1 (United Nations publication, Sales No.: 68.II.D.1) and TD/13 and TD/13/Supp.1.

Considering that manufactured and semi-manufactured goods constitute items of increasing importance in the economies of developing countries and that freight-rate studies in respect of such items also need to be undertaken,

1. *Recommends* that the Governments of States members of UNCTAD, particularly the developed maritime nations which have a predominant participation in the conferences, should press the liner conferences and equivalent organizations, directly or through the shipowners members of them:

(a) To lower suitably the freight rates on the traditional exports of the developing countries to the maximum extent possible and to abolish the widespread practice of fixing special high freight rates for the transport of non-traditional products of the developing countries;

(b) To lower suitably freight rates in those cases in which port improvements, leading to actual reductions in operating costs, have taken place;

(c) To provide promotional freight rates for the non-traditional exports of the developing countries without prejudice to the reduction of freight rates on traditional exports recommended at (a) above and without discriminating between the different developing countries served by the same conference;

(d) To admit the national shipping lines of the developing countries into conferences, and to take appropriate action to ensure that the shipping lines of the developing countries which are members of the conferences are given the right, on terms of equality, to participate in all deliberations and decisions of the conferences of which they are members;

(e) To adopt non-discriminatory practices between different countries with regard to the level and structure of freight rates, the dates with effect from which freight rate increases become effective and the issue of advance notice for this purpose;

(f) To make available to the Government of a developing country served by them, at its request, all relevant information which affects the exports and imports of the developing country concerned, in respect of tariff rates and related notices and in respect of tying arrangements and other similar arrangements and the corresponding information incorporated in their constitutions or working agreements; and

(g) To make suitable arrangements for authoritative representation in the ports of developing countries served by the liner conferences;

2. *Invites* Governments of States members of UNCTAD, whenever they consider it necessary, to inform the UNCTAD secretariat and the appropriate regional economic commission of their experiences in dealing with the liner conferences and to request the circulation of this information by the UNCTAD secretariat to all States members of UNCTAD;

3. *Suggests*:

(a) That adequate resources be made available to the UNCTAD secretariat for pursuing studies on the structure of freight rates and for the construction, on a regular basis, of index numbers of liner freight rates;

(b) That Governments, shippers and shipowners, shipping and commercial interests and conferences co-operate with the UNCTAD secretariat, through the appropriate channels by providing information required for the implementation of the Committee's programme of work; and

(c) That additional studies regarding freight rates in respect of important primary products, especially any product constituting a major export of a developing country or facing severely depressed market conditions, and also in respect of selected manufactured and semi-manufactured products, be undertaken by the UNCTAD secretariat, specific items being selected, consistent with the resources of

the UNCTAD secretariat and with due regard to the availability of suitable data, so as to secure a representative sample of products of interest to the developing countries.

**Port improvements: progress report on studies
by the secretariat
(Agenda item 13 (e))**

DEVELOPMENT OF PORTS

Draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Vietnam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia (TD/II/C.4/L.13)

The United Nations Conference on Trade and Development,

Bearing in mind the resolution entitled "Common Measure of Understanding on Shipping Questions" incorporated as annex A.IV.22 in the Final Act of the first session of the Conference,^e which emphasized the possibilities of reducing the total cost of transportation by improving existing and establishing new port facilities, and which recommended to this end that international financing and aid and technical assistance be made available on favourable terms,

Convinced of the urgent need for practical measures for providing finance and technical assistance to developing countries for port development and modernization, taking into account technical advances in shipping,

Recognizing that ports are truly international in character, that both shippers and shipowners have a common interest in port development and that the advantages flowing from port improvement accrue to all nations using ports,

Appreciating that the limited financial resources of the developing countries do not permit large-scale investments from their internal resources for the improvement of their ports,

Believing that priority should be given to projects designed:

(a) To improve or develop existing port facilities so as to ensure quicker turn-round of ships and to meet the needs of technological changes in shipping; and

(b) To improve dredging services in the developing countries,

Reiterating the need to lower freight rates in those cases in which port improvements, leading to reductions in the costs of shipping operations, have taken place,

1. *Recommends* that:

(a) The developed countries, directly or through international and regional financial institutions, should provide an increasing flow of assistance, over and above the existing level of aid programmes, for the expeditious development and modernization of ports in the developing countries;

(b) Financial assistance for port development should be made available on favourable terms and conditions as envisaged in recommendation A.IV.22, paragraph 2, of the Final Act of the first

^e See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 54 and 55.

session of the Conference, the terms and conditions being of the International Development Association-type of long-term loans;

(c) Priority should be given by developing countries in requesting, and by the appropriate international agencies in granting, technical and financial assistance to schemes which can be implemented without much capital expenditure;

(d) The UNCTAD secretariat should provide, within available resources and within the framework of the United Nations Development Programme and the United Nations regular programme of technical assistance, and in co-operation with the regional economic commissions, substantive support and guidance, with respect to member States, requests for technical assistance towards the preparation of long-term plans for the development and modernization of ports of the developing countries, these plans being based on the selective development of ports in each country keeping in view their current and future needs and technological changes;

(e) The UNCTAD secretariat should undertake a detailed study of the impact of technological changes in shipping on future traffic trends and matching port facilities in the developing countries, and in particular of unitization of cargoes, including palletization and containerization, so as to provide meaningful information to the developing countries to carry out further feasibility studies on their own;

(f) The UNCTAD secretariat, in co-operation with the appropriate regional economic commissions, should study existing facilities for the training of personnel in the economics of port operation and techniques of port management and administration, disseminate information in this regard, and arrange for such additional training programmes as may be required;

(g) The UNCTAD secretariat should, on the basis of priority, supplement wherever necessary current studies relating to the problem of dredging requirements of developing countries;

(h) Governments of developed countries should permit the sale of dredgers to the developing countries on deferred payment terms, spread over a period of not less than ten years, and also include provision of dredging services as an item covered by bilateral credits;

(i) The UNCTAD secretariat should undertake a sample study of ports in developed countries with a view to assessing the impact on freight rates of the operation of these ports;

(j) Governments of States members of UNCTAD should urge the liner conferences:

(i) To co-operate with port authorities in developing countries in making effective use of port improvements, so as to realize economies in handling costs;

(ii) To ensure that savings achieved in shipping operations through the improvement of port facilities are utilized to the advantage of the developing countries through the reduction of freight rates in respect of ports achieving such improvements.

Level and structure of freight rates, conference practices and adequacy of shipping services: progress report on studies by the secretariat

SHIPPING INDUSTRY IN DEVELOPING COUNTRIES, INCLUDING EXPANSION OF MERCHANT MARINES OF DEVELOPING COUNTRIES

(Agenda item 13 (b) and (c))

TERMS OF SHIPMENT

Draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos,

Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia (TD/II/C.4/L.14).

The United Nations Conference on Trade and Development,

Considering the importance of the pattern of sales and purchase contracts for the trade and shipping interests of developing countries,

Recommends that the UNCTAD secretariat should undertake a comprehensive study to assess the impact on the trade and shipping of the developing countries of the following alternative practices:

(a) exports sold on c.i.f. or f.o.b. basis; and

(b) imports purchased on c.i.f. or f.o.b. basis.

Review of recent developments and long-term trends in the field of invisibles including shipping and international legislation thereon in the light of recommendations and other provisions of the Final Act of the first Conference

(Agenda item 13 (a))

TOURISM

Draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia (TD/II/C.4/L.17).

The United Nations Conference on Trade and Development,

Fully aware of the significant role that international tourism can play in the economic, cultural, social and educational fields and of its contribution to better understanding among peoples,

Recalling the recommendations made by the United Nations Conference on International Travel and Tourism (Rome, 1963)¹ and the recommendation in Annex A.IV.24² of the Final Act of the first session of UNCTAD, on measures for increasing the receipts of developing countries from tourism, which was adopted by the Conference without dissent,

Convinced that earnings from tourism have a potential to contribute substantially to the improvement of the balance of payments and to the economic growth of developing countries,

Welcoming the growing interest in the role of tourism in the economy of developing countries displayed by the regional economic commissions and the specialized agencies of the United Nations concerned,

Recognizing the fact that the development of tourism is closely linked with reductions of air-fares, and bearing in mind the imminent

¹ See Final Report of the United Nations Conference on International Travel and Tourism (E/3839).

² See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 55 and 56.

substantial increase in the volume of passenger traffic with the introduction of high capacity and faster aircraft,

Taking note of the progress report of the UNCTAD secretariat^{1b} and the studies proposed therein, of the report on cultural tourism submitted by the secretariat of the United Nations Educational, Scientific and Cultural Organization¹ and of the designation of 1967 by the General Assembly as International Tourist Year (resolution 2148 (XXI)),

Regretting the restrictions and financial limitations imposed by certain developed countries on the travel of their nationals to the developing countries,

1. *Recommends* that Governments of member States of UNCTAD give due consideration to tourist development in their national plans and programmes;

2. *Urges* that there should be urgent co-ordinated action, under the auspices of UNCTAD, by the States members of UNCTAD, the regional economic commissions, the various specialized agencies and the International Union of Official Travel Organizations, in areas of significance to developing countries, such as:

(a) The collection of statistical data and other information required;

(b) The reduction of travel formalities from developed to developing countries and also between developing countries;

(c) Studies by experts examining different specialized aspects of the development and promotion of tourism;

(d) Technical and financial assistance for pre-investment and market surveys as well as for directing of developmental activities;

(e) An increase in the flow of technical and financial assistance, including grants and credits on easy terms, for specialized tourist

services, particularly the hotel industry, and for building the infrastructure vital for the development of tourism;

(f) The training of personnel in the fields of planning tourist facilities, catering and hotel management, the establishment and management of resort centres, and publicity and promotion;

(g) The recognition of tourism as a development industry for assistance by both international agencies and governments;

(h) The provision of promotional passenger tariffs and other facilities for expansion of tourist travel to developing countries;

3. *Requests* the UNCTAD secretariat, in co-operation with appropriate inter-governmental, non-governmental, regional and other interested organizations:

(a) To study the impact of air and maritime fares on growth of travel to developing countries;

(b) Taking account of technological development in the civil aviation industry, to examine the possibility of reducing the cost of air travel to developing countries by lowering standard fares on scheduled services, introducing more widely concessional and creative fares, the development of charter traffic, and other appropriate means;

(c) To examine the establishment of tourist promotional resources; and

(d) To study the means of promoting inter-regional co-operation between developed and developing countries to encourage travel to developing countries;

4. *Urges* Governments of developed countries to avoid exchange restrictions on tourism to developing countries and, where they exist, to remove them and to refrain from other measures that constitute obstacles to the travel of their citizens to the developing countries; and invites all governments to pay due regard to the recommendations of the United Nations Conference on International Travel and Tourism (Rome, 1963).

^{1b} TD/24.

¹ TD/45.

Appendix III

STATEMENT OF FINANCIAL IMPLICATIONS OF DRAFT RESOLUTIONS CONSIDERED BY THE FOURTH COMMITTEE

1. REGULAR SESSIONS OF THE COMMITTEE ON SHIPPING (TD/II/C.4/ L.7 and Corr.1)

The draft resolution considers it desirable that the "Review of Current and Long-Term Aspects of Maritime Transport", prepared annually for the Committee on Shipping, be as up-to-date as possible and therefore suggests to the Trade and Development Board that regular sessions of the Committee be held not earlier than March of each year.

(a) The consequential postponement of the third session of the Committee on Shipping from 1968 to 1969 would result in a saving of \$125,000 in 1968 in respect of language and documents services.

(b) The recurrent publication of the Review would require an annual expenditure of \$5,000 for printing on the assumption that it would have an average length of sixty pages. This amount has been included in the budget estimates for 1969 pending approval by the Conference.

2. FREIGHT RATES AND CONFERENCE PRACTICES (TD/II/C.4/L.9/ Rev.1)

(a) The draft resolution suggests that additional studies be made of freight rates for important primary commodities and for selected manufactured or semi-manufactured products. Requests for such

studies are also being received from commodity study groups. The budgets for 1968 and 1969 provide eighteen and forty-two months, respectively, for commodity studies and it is considered that a further thirty-six months would be required in 1969 if sufficiently rapid progress is to be made. Consequently, two additional professional posts are proposed for the Freight Rate Section in 1969 (P-4-P-3) at a cost of \$52,000 above the level of the budget estimates for 1969.

3. DEVELOPMENT OF MERCHANT MARINES OF DEVELOPING COUNTRIES (TD/II/C.4/L.11 and Corr.1)

The draft resolution recommends that a small group appointed by UNCTAD identify sea lanes of interest to developing countries.

On the assumption that the group would have twelve to fifteen expert members designated by Governments and meet once in 1969 for a period of two weeks, its costs for subsistence and travel would be \$10,000. To prepare the ground for the group and to carry out its recommendation would require a professional staff member (P-4) at a cost of \$20,000 in 1969 and subsequent years.

4. DEVELOPMENT OF PORTS (TD/II/C.4/L.13)

The draft resolution recommends a detailed study of the impact of technological changes in shipping on future traffic trends and

matching port facilities in developing countries. It is estimated the study will require three man-years of consultants at a cost of \$20,000 in 1968 and \$40,000 in 1969.

It is also recommended that UNCTAD should supplement, wherever necessary, current studies relating to the problem of dredging requirements of developing countries. Such work would need to be done by consulting firms in that field at an estimated cost of \$25,000 in 1968 and \$25,000 in 1969.

It is further recommended that a sample study of ports in developing countries should be undertaken with a view to assessing the impact of freight rates on the operation of these ports. The study would require twelve months of consultants' services in 1968 at a cost of \$20,000 and a consultant and a professional staff member (P-4) in 1969 at a cost of \$40,000.

5. INTERNATIONAL LEGISLATION ON SHIPPING (TD/II/C.4/L.15)

The draft resolution calls for the creation of a Standing Committee on International Shipping Legislation to review commercial and

economic aspects of international legislation on shipping. It is considered that the Standing Committee would be serviced by the Office of Legal Affairs at the Headquarters of the United Nations at New York who would specify the financial requirements in terms of substantive and conference servicing. However, the Division for Invisibles would require a specialist (P-4) in the economic and commercial aspects of shipping legislation at a cost of \$20,000 in 1969 and future years to service the Committee on Shipping in respect of the activity in this field.

6. TOURISM (TD/II/C.4/L.17)

The draft resolution requests a study on the impact of air and maritime fares on the growth of travel to developing countries; an examination of the possibility of reducing the cost of air travel to developing countries; an examination of the establishment of tourist promotional resources and a study of the means of promoting inter-regional co-operation to encourage travel to developing countries. The scope of these studies would require the addition of a fourth professional post (P-4) to the Tourism Branch of the Division for Invisibles at a cost of \$20,000 in 1969 and future years.

Summary of financial implications

<i>Draft resolution No.</i>	<i>Subject</i>	<i>1968 (U.S. dollars)</i>	<i>1969</i>
TD/II/C.4/L.7 and Corr.1	Savings from postponement of third session of Committee on Shipping	(125,000)	—
TD/II/C.4/L.7 and Corr.1	Printing of the «Review of Current and Long-Term Aspects of Maritime Transport»	5,000	5,000
TD/II/C.4/L.9/Rev.1	Freight rates (commodity studies): three professional posts (P-4 and two P-3)	—	52,000
TD/II/C.4/L.11 and Corr.1	Expert group to identify sea lanes	—	10,000
	Professional (P-4) to serve the group	—	20,000
TD/II/C.4/L.13	Development of ports: Impact of technological changes on traffic and port facilities: Consultants	20,000	40,000
	Supplementing current studies on dredging: Consulting firms	25,000	25,000
	Impact of freight rates on ports: Consultants	20,000	20,000
	Professional post (P-4)	—	20,000
TD/II/C.4/L.15	International legislation on shipping: Standing Committee	To be assessed by the Office of Legal Affairs at United Nations Headquarters	
	Professional post (P-4)	—	20,000
TD/II/C.4/L.17	Tourism: Professional post (P-4)	—	20,000

None of the draft resolutions recommended by the Committee for adoption by the Conference, with the exception of that contained in document TD/II/C.4/L.7 and Corr.1 (discussed in paragraph 1 above), involves any financial implications for the UNCTAD secretariat.

E. REPORT OF THE FIFTH COMMITTEE

CONTENTS

	Paragraph	Page
<i>Introduction</i>	1-12	334
<i>Chapter I.</i> Steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development	13-22	335
<i>Chapter II.</i> Trade relations among countries having different economic and social systems, including problems of East-West trade, paying attention particularly to the trade interests of developing countries and taking into account the work in this field of other United Nations organs, including the regional economic commissions	23-43	337
<i>Chapter III.</i> Impact of the regional economic groupings of the developed countries on international trade including the trade of the developing countries	44-63	340
<i>Chapter IV.</i> Consideration of measures leading to the improvement of the international division of labour	64-79	343

APPENDICES

I. Draft resolutions, decisions and declarations submitted to the Fifth Committee.	346
II. Statement of financial implications of draft resolutions considered by the Fifth Committee.	349

NOTE. The check list of documents prepared for and during the deliberations of the Fifth Committee appears in annex X to the report of the Conference.

Introduction

1. At its 37th (opening) plenary meeting on 1 February 1968, the Conference established the Fifth Committee. At its 39th plenary meeting it decided, in conformity with the recommendation made by the Trade and Development Board at its fifth session,¹ to refer to the Committee for consideration and report items 9 (a), (b), (c), (d), and (e) of the agenda. These sub-items of the agenda as adopted read as follows:

Trends and problems in world trade and development

(a) Review of recent development and long-term trends, implementation of the recommendations and other provisions of the Final Act of the first session of the Conference — consideration of further action *

(b) Steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development (see Annexes A.I.1; A.I.2 and A.I.3 of the Final Act of UNCTAD, 1964)

(c) Trade relations among countries having different economic and social systems including problems of East-West trade, paying attention particularly to the trade interests of developing countries and taking into account the work in this field of other United Nations organs, including the regional economic commissions

(d) Impact of the regional economic groupings of the developed countries on international trade including the trade of the developing countries

(e) Consideration of measures leading to the improvement of the international division of labour

2. At its first meeting held on 2 February 1968, the Committee elected Mr. J. Nyerges (Hungary) as its Chairman. At its third meeting held on 12 February it elected Mr. E. Schmid (Austria) as Vice-Chairman and Mr. M. Z. Shafei (United Arab Republic) as Rapporteur.

3. The Committee held twenty-six meetings, in the course of which it considered the sub-items of item 9 which had been allocated to it.²

4. At the Committee's second meeting on 7 February, the Chairman drew attention to a communication he had received from the President of the Conference concerning the allocation to the Committee of the above-mentioned items (TD/II/C.5/1). It was agreed that the Committee would consider items 9 (b), (c), (d), and (e) in that order.

5. For the purpose of drafting the Committee's report to the Conference, the Rapporteur was assisted by a group of "friends" designated by the various groups of countries. The Committee considered the draft of its report at its 22nd to 26th meetings and adopted its report unanimously at its 26th meeting on 19 March.

* The purpose of sub-item (a) is to provide delegations with general factual information about the subject-matter of the item. No general debate is expected since such a debate will take place under item 8.

¹ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, para. 22 (c).

² For an account of the Committee's deliberations, see summary records of the first to 26th meetings (TD/II/C.5/SR.1-26).

6. The Committee being a Committee of the Whole, participation in its deliberations was open to representatives of all the States members of the Conference.

7. The representative of the European Economic Community (EEC) participated in the Committee's deliberations and addressed the Committee at its 16th meeting on 5 March.

8. The representative of the International Confederation of Free Trade Unions, a non-governmental organization admitted as an observer under rule 81 of the rules of procedure, addressed the Committee at its 18th meeting on 7 March.

9. The representative of the International Federation of Christian Trade Unions, a non-governmental organization admitted as an observer under rule 81 of the rules of procedure, addressed the Committee at its 14th meeting on 1 March.

10. The representative of the World Federation of Trade Unions, a non-governmental organization admitted as an observer under rule 81 of the rules of procedure, addressed the Committee on a number of occasions.

11. There was general appreciation of the documentation prepared by the secretariat on all items of the Committee's agenda, which greatly facilitated the deliberations of the Committee.

12. The Committee took note of draft resolutions submitted on items 9 (b), 9 (c) and 9 (d) (for the texts of these see appendix I). After intensive consultations among the parties concerned, a certain amount of agreement was reached on some subjects. On other subjects, divergence of opinion still prevailed at the conclusion of the Committee's work. Bearing this in mind, the Committee transmits these draft resolutions to the plenary of the Conference for further consideration and action. The Committee further requests the Chairman to conduct further work in order to achieve agreement on these draft resolutions and to communicate the results of this work to the plenary of the Conference.

Chapter I

Steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development (Agenda item 9 (b))

13. The Chairman, in a brief statement introducing this item, drew attention to the fact that, by recommendation A.I.1³ of the Final Act, the first session of the United Nations Conference on Trade and Development in 1964 had adopted General and Special Principles that should govern international trade relations and trade policies conducive to development. At the same time, by recommendation A.I.3,⁴ the first session of the Conference had requested the Trade and Development Board to continue efforts to secure the broadest possible agreement on a set of

principles. As a result of these efforts, at the third session of the Board a draft resolution providing for steps "to be taken to achieve agreement on principles" was presented by the group of thirty-one developing countries members of the Board.⁵ At the fifth session of the Board it was decided to defer the vote on that resolution, but it was agreed to include the subject-matter in the agenda of the second session of the Conference. The Chairman also drew attention to the fact that the Charter of Algiers stated that the second session of the Conference might elaborate new principles but that principles already adopted should not be subject to re-examination (see TD/38, part two, E. I (b)). Finally, he directed attention to the report of the Secretary-General of UNCTAD *Review of international trade and development, 1967*, (TD/5/Rev.1)⁶ which observed that many of the principles recommended by the first session of the Conference had received growing recognition and had begun to be reflected in specific actions at both national and international levels. Although certain measures appeared to follow the lines envisaged in the principles and recommendations adopted by the first Conference, they fell "far short of the comprehensive action called for by that Conference. Moreover, several important policy guidelines formulated by the Conference were not reflected in practice, and some of them appear to have been in fact vitiated by measures taken in some countries".

14. In the general debate that followed, great importance was attached to principles governing international trade relations and trade policies conducive to development. There was a broad consensus that it was necessary to achieve the widest possible measure of agreement on these principles in order to establish healthy international trade relations and to arrive at concrete measures conducive to development. There was a general conviction that economic development was the common concern and responsibility of the international community. The view was expressed that the recommendations adopted by the second session of the Conference might result in the formulation of new principles. New principles might also emerge from matters that had not received proper consideration at the first session.

15. Representatives of the developing countries strongly supported the provision of the Charter of Algiers (TD/38) that the principles should not be open to re-examination and that the second session of the Conference might add new principles to them. In that connexion it was suggested that the second session of the Conference should reach an agreement on Special Principle Three of the Final Act of the first session⁷ which had been left open.

16. It was pointed out by the representative of a developing country that it was essential to adopt new principles relating to the responsibility of the socialist countries in international economic co-operation aimed at assisting the developing countries. While the principles adopted at

³ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 18-25.

⁴ *Ibid.*, p. 26.

⁵ See *Official Records of the General Assembly, Twenty-first Session, Supplement No. 15*, part one, para. 23.

⁶ United Nations publication, Sales No.: E.68.II.D.4.

⁷ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 22.

the first session of the Conference related to measures which the developed countries should take to promote the economic development of developing countries, the adoption of new principles on the responsibility of developing countries with respect to international economic co-operation would complement the old. The representative of a developing country suggested that a special working group, or the Trade and Development Board itself, might undertake, after the closure of the Conference, an analysis of the main recommendations adopted at the second session of the Conference for the purpose of elaborating the emerging new principles.

17. Another suggestion by the representative of a developing country was for the establishment of a working group on the model of the group that had discussed the matter in the Fifth Committee of the first session of the Conference. The terms of reference of the group would include the collection of new expressions of support for individual principles and the preparation of a limited number of additional principles in the light of the recommendations submitted to the second session of the Conference by its subsidiary bodies. While that suggestion gained a measure of support from developing countries, it was not supported by the developed market-economy countries since it did not appear to them to be the most appropriate method of achieving a greater measure of agreement on principles governing international trade relations and trade policies conducive to development.

18. The representatives of the socialist countries of Eastern Europe and other socialist countries held that the principles were needed in order to eliminate inequalities between the advanced and the developing countries, to bring about the expansion of world trade; and to establish conditions favourable for the development of all countries. The main purposes of the principles adopted by the first session of the Conference were to provide an over-all policy framework and to serve as a basis and incentive for working out further practical measures. It was not sufficient to adopt the principles, but, in order to have practical significance, they should command universal and comprehensive application. These representatives stated that their Governments had taken those principles fully into account in their trade practices and some of them pointed out that the principles had been embodied in their countries' bilateral trade agreements. As a result, representatives of the socialist countries could not agree to the re-examination of the principles, since any consequent revision would oblige them to change the trade agreements that they had already concluded, which they could not do.

19. It was recognized by representatives of the developing countries, the socialist countries of Eastern Europe and other socialist countries that the principles in the Final Act adopted by the first session contained the basic postulates of a new development policy giving expression to contemporary needs in international economic relationships and to the change of attitude of the international community with respect to the criteria and guidelines that should govern such relationships. Representatives of the developing and socialist countries expressed the view that the pressing task before the Conference on the question of principles was to secure their implementation. In that

connexion they pointed out that it might be helpful to know why even those principles unanimously agreed had not been implemented, what were the obstacles to such implementation, and how those obstacles could be removed. With respect to all countries that had voted against certain principles or abstained, it would seem desirable to ascertain both the obstacles that had prevented them recording a positive vote and their present position on these principles. They felt that it was the task of the Conference to adopt a programme of action that would represent substantial progress towards the implementation of these principles. That was all the more urgent, they believed, because of the highly disturbing trends in world trade during the first six years of the United Nations Development Decade. The share of the developing countries in world trade continued to decline. There was still a vulnerable preponderance of primary products in the composition of exports of developing countries which were affected by a low income-elasticity of demand in advanced countries and the steadily growing use of synthetic substitutes. As a result, the terms of trade of the developing countries continued to deteriorate.

20. The representatives of several developing and socialist countries of Eastern Europe and other socialist countries noted with satisfaction that certain principles had become recognized and generally accepted in the course of further elaboration of various concrete measures. Indeed, there were encouraging examples of attempts at the national and international levels to implement some of the principles adopted in 1964, but all these measures, they felt, fell far short of the comprehensive new development policy postulated in the principles as a whole. Such implementation as had been achieved was marginal, and by and large the principles remained unimplemented.

21. Representatives of the developed market-economy countries, while generally attaching importance to the principles in recommendation A.I.1 of the Final Act of the first session of the Conference, expressed the opinion that the principles had limitations from the point of view of their individual content, mutual relationship, collective coverage and acceptability to governments, particularly those governments to which they were specifically addressed. They held that recognition of such limitation was reflected in recommendation A.I.3, which called for a greater measure of agreement on a set of principles. In that connexion several representatives of developed market-economy countries referred to a note on the subject by the Secretary-General of UNCTAD.⁸ The representative of one developed market-economy country pointed out that the principles were lacking in coherence, inner balance and logical sequence while another stated that they did not cover all important issues. Representatives of the developed market-economy countries were unable to support the position that the principles were unalterable, nor were they able to see how it would be possible to add new principles to those in recommendation A.I.1 if it were held that those principles constituted an unalterable and comprehensive entity. They were prepared to join in an examination of the substance and formulation of principles

⁸ See *Official Records of the Trade and Development Board, Second Session, Annexes*, agenda item 8, document TD/B/20.

with a view to their revision, where necessary, in order to make them universally acceptable and to make possible the addition of new principles. They expressed their willingness to join in a common effort to this end. The developed market-economy countries indicated that they were not prepared to support a procedure that would call on only a certain group of countries to give an account of themselves concerning their attitude towards, or the implementation of, the principles; this did not seem to them to be the best method of achieving a greater measure of agreement on principles. The representative of one developed market-economy country, drawing attention to the proposals for a charter of development introduced in the Second Committee of the General Assembly at its twenty-first and twenty-second sessions, expressed the view that the formulation of such a charter could greatly benefit from a general agreement within UNCTAD on principles relating to trade and development.

22. A draft resolution (TD/II/C.5/L.9 and Corr.1 and 2) on agenda item 9 (b) was submitted by a group of developing countries and was considered by the Committee. The text of this draft resolution is reproduced in appendix I to this report. The Secretary of the Committee made a statement on the financial implications of the draft resolution (see appendix II). The Committee referred the draft resolution to the plenary for further consideration and action.

Chapter II

Trade relations among countries having different economic and social systems including problems of East-West trade, paying attention particularly to the trade interests of developing countries and taking into account the work in this field of other United Nations organs, including the regional economic commissions

(Agenda item 9 (c))

23. Introducing the documentation for the agenda item, the representative of the Secretary-General recalled developments in UNCTAD relating to this item since the first session of the Conference. The first session had recognized the significance of the problems referred to in a draft resolution submitted to it but, owing to lack of time, had decided (Recommendation A.VI.7)⁹ to refer the subject for further consideration and action to the continuing machinery of UNCTAD. In accordance with this decision, the Trade and Development Board had paid special attention to the question of trade among countries having different economic and social systems, including East-West trade.¹⁰ At its third session, the Trade and Development Board had requested the Secretary-General to prepare periodically, for consideration by the Board and the Conference, reports on these problems, the first of

which¹¹ had been submitted to the Trade and Development Board at its fifth session. A substantive discussion had taken place at that session, when it had been the general consensus that this item of the draft provisional agenda for the second session of the Conference would constitute an important subject for discussion.

24. In the subsequent general debate, recent trends in trade and economic policies in all countries concerned were noted with general satisfaction, although many representatives considered that important possibilities existed for further expansion of trade. There was general consensus that in recent years there had been a dynamic development of trade between countries with different economic and social systems, both in the flow of trade between all the socialist and developing countries and in that between socialist and developed market-economy countries, and that this dynamic development could be expected to continue as a positive factor in the economic development of the countries concerned. It was pointed out that, in the five-year period between 1960 and 1965, trade among socialist countries had increased by 27 per cent, exports from these countries to developed market-economy countries by 60 per cent, and exports to developing countries by 137 per cent. During the same period, the imports of socialist countries from developed market-economy countries increased by 63 per cent and from developing countries by 99 per cent.¹² There was wide agreement concerning the interdependence of trade flows, to the effect that an improvement of conditions for the expansion of trade between socialist and developed market-economy countries should, if coupled with appropriate action, create favourable conditions for expanding trade of developing countries.

25. Opinions were expressed that a higher degree of multilateralism in trade and payments would favour the expansion of trade, whether between developed market-economy countries and socialist countries or between socialist and developing countries. There was also wide agreement that multilateralism needed favourable conditions; it would complement rather than substitute for other measures to promote trade. Many representatives referred to experience with, and possibilities of trade creation through bilateral measures and there was wide agreement on the favourable effects on trade of long-term trade agreements as well as on the beneficial role of agreements on industrial co-operation.

26. Representatives of socialist countries of Eastern Europe noted a limited improvement in East-West trade relations. They recalled the obstacles socialist countries faced in the form of discriminatory barriers such as quota restrictions, tariffs, export controls and credit limitations employed by developed market-economy countries. They stated that those obstacles added to the cost of foreign trade, reduced the competitiveness of exports of socialist countries, increased uncertainty and rendered it difficult to establish stable trade relations and a rational

⁹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 65.

¹⁰ See annual reports of the Trade and Development Board to the General Assembly (*Official Records of the General Assembly, Twentieth Session, Supplement No. 15*, part two, chap. III; *ibid.*, Twenty-first Session, part one, chap. II; *ibid.*, Twenty-first Session part two, chap. III; *ibid.*, Twenty-second Session, Supplement No. 14, part one, chap. IV).

¹¹ See *Official Records of the Trade and Development Board, Fifth Session, Annexes*, agenda item 9, documents TD/B/128 and Add.1-3.

¹² Percentages refer to the trade of socialist countries of Eastern Europe and Asia as defined in document TD/18, table 4.

division of labour. The same representatives emphasized the need for the removal of discriminatory obstacles and stated that there were no economic reasons for the discriminatory policies of developed market-economy countries. The representatives of socialist countries were unanimous in requiring the full application to socialist countries of most-favoured-nation treatment by developed market-economy countries. The representative of one socialist country of Eastern Europe stated further that the most-favoured-nation principle had nothing to do with the economic and social system of the trading partners and that what it provided for was equality of treatment of all countries — a condition to which his country strictly adhered. The representative of a developing country — also socialist — and which supported the opinions contained in the present paragraph, stated that several countries had established legislation which prevented the development of trade relations between countries having different economic and social systems. He suggested that it would be constructive if developing countries which had taken measures to develop economic relations with socialist countries did not limit them to the socialist countries of Eastern Europe.

27. Representatives of socialist countries of Eastern Europe drew attention to the interdependence of trade flows and maintained that normal and stable conditions in East-West trade, and the freeing of resources through the expansion of that trade would have favourable effects on over-all trade conditions and on the trade of socialist countries with developing countries. They also pointed out that constructive steps must be taken to derive full advantage from the favourable conditions thus created in order to achieve further expansion of trade between socialist countries and developing countries. A number of those representatives pointed out that improved East-West trade relations would facilitate co-operative ventures in developing countries between socialist countries of Eastern Europe, developed market-economy countries, and developing countries, and also recalled the increasing interdependence created by technological developments.

28. Representatives of several developed market-economy countries expressed satisfaction with the increase in trade between their countries and the socialist countries of Eastern Europe. They referred to their Governments' liberalization measures and to their interest in reciprocal treatment by the socialist countries of Eastern Europe. They expressed the hope that positive results might accrue from the new economic management measures introduced in the socialist countries of Eastern Europe. One representative recalled that authorities in developed market-economy countries endeavoured generally to simplify and attenuate administrative controls, to seek new trade opportunities and to reconsider financial conditions of trade. His Government had recently undertaken an important action in that respect, which adapted conditions of trade to new possibilities of export to socialist countries of Eastern Europe and which was in conformity with the recommendations and the principles of the first session of the Conference, to which its delegation had subscribed at the time. The representative of one developed market-economy country explained how his Government was trying to combine a maximum of stability with an optimum

of flexibility in trade with the socialist countries of Eastern Europe.

29. The representative of one developed market-economy country mentioned problems in trading in consumers' goods with socialist countries of Eastern Europe and the difficulty of establishing new and permanent markets in those countries. One representative recalled his country's balance-of-trade deficit with the socialist countries of Eastern Europe and another pointed to the possible unfavourable effects of barter trade on markets. The representative of one developed market-economy country expressed the view that normal trade between East and West had not been frustrated by any discriminatory policies on the part of his Government. The real problem, he believed, was whether the products of socialist countries of Eastern Europe could compete in the open market; quality, servicing, advertising and sales promotion were practical problems that had to be tackled by the East European countries if they wished to continue to expand their trade with the West. Some representatives of developed market-economy countries believed that the difficulties in East-West trade turned on practical issues and details, and could be resolved in a pragmatic manner by discussion, for example between the interested countries.

30. The representative of one developed market-economy country pointed out that the most-favoured-nation principle could not be fully applied in trade with centrally-planned economies. In his opinion, the means of measurement of reciprocity or mutual advantage afforded by the application of the most-favoured-nation clause was inadequate for the purpose of East-West trade. The most-favoured-nation clause related primarily to trade between market-economy countries. In the case of trade with centrally-planned economies it was not possible to accept *de jure* obligations when the conditions of trade made it impossible to ascertain whether the necessary mutuality of obligations could be secured; on a *de facto* basis, treatment as favourable as circumstances permitted was accorded.

31. Some representatives of developed market-economy countries recalled that their Governments had concluded mutually satisfactory trading arrangements which permitted them to grant most-favoured-nation treatment to socialist countries of Eastern Europe.

32. With regard to the interdependence of trade flows, some representatives of developed market-economy countries doubted whether automatic benefits would flow to developing countries from an increase in East-West trade. One representative of a developed market-economy country stated in that connexion that there was no direct link between East-West trade and the trade of socialist countries of Eastern Europe with developing countries, and that additional earnings on the part of the socialist countries of Eastern Europe as a result of greater access to Western markets would very probably be spent in the developed countries and not in the developing countries.

33. Most representatives of developing countries declared their Governments' direct interest in improved trade relations between socialist and developed market-economy countries and expressed the opinion that an expansion of East-West trade would be to the benefit of developing countries' trade. Several of these

representatives pointed out, however, that there could be no reliance on benefits accruing to them automatically. In that connexion they emphasized that the expansion of trade between the socialist countries of Eastern Europe and the developed market-economy countries should not unfavourably affect the trading possibilities of the developing countries but, on the contrary, should lead to rising trade between them and the latter. Some of these representatives pointed out that action had to be taken to improve conditions for East-West trade; their Governments were willing to participate in such action to ensure that the expansion of East-West trade would result in positive effects on their trade with socialist countries. It was also noted that developing countries' trade with socialist countries was important in its own right and that its expansion should not be made contingent on the settlement of issues relating to East-West trade.

34. With regard to trade between socialist and developing countries, several representatives of developing countries and socialist countries of Eastern Europe pointed out that a rapid increase in that trade had followed from the measures undertaken by socialist countries of Eastern Europe in compliance with the recommendations of the first session of the Conference, as well as from other positive measures in both socialist and developing countries. Particular reference was made to the conclusion of a growing number of long-term trade agreements, industrial branch agreements, the delivery by socialist countries of capital goods on credit to be repaid in kind, technical assistance by socialist countries and economic co-operation, as well as possibilities of complementing mutual production structures. Many representatives of developing countries also pointed out that trade with the socialist countries contributed to the diversification of their countries' economies, exerted a stabilizing influence on commodity markets, and increased their freedom of manoeuvre in trade policies.

35. Several representatives of developing and developed market-economy countries observed that trade between socialist and developing countries still constituted only a small fraction of the total trade of developing countries, that accordingly the high growth rates of the exports of developing countries to socialist countries represented relatively small increases in their total exports, and that that trade was concentrated on a few countries and a limited range of commodities. It was taken into consideration, however, that those trade relations were still new.

36. With regard to measures for the further expansion of trade, the representatives of developing countries restated their Governments' general support for the specific proposals of the Charter of Algiers and their early implementation, in particular those concerning the provision of trade targets in plans of socialist countries, measures to increase and diversify imports of manufactures and semi-manufactures, the granting of preferences by socialist countries, multilateralization of payments and assurances that goods imported from developing countries would not be re-exported without the consent of the latter. Representatives of developing countries also recognized their Governments' responsibilities in taking active measures to expand mutual trade with socialist countries and in granting terms to socialist countries no less favour-

able than those which they granted to other trading partners.

37. Representatives of socialist countries of Eastern Europe stated their Governments' willingness to consider the proposals of the Charter of Algiers relevant to them and assured developing countries that it was the policy of socialist countries to expand trade with them. They pointed out that the volume of their imports was not influenced by domestic selling prices but by other facts, including balance-of-payments considerations. They also recalled that the geographical scope and further expansion of mutual trade was also of concern to developing countries and they asked the developing countries for conditions of trade no less favourable than those they granted to developed market-economy countries. They further declared their Governments' readiness to engage in multilateral trade and payments arrangements, if this was mutually acceptable.

38. Representatives of developing countries supported suggestions by the secretariat concerning possible measures to expand trade between countries with different economic and social systems as set out in the secretariat report (TD/18, para. 98), in particular that for a study group on problems of multilateral settlement of payments and that for trade consultations with socialist countries on a regular basis to maximize the expansion and diversification of trade between socialist and developing countries.

39. One representative of a developing country supported the suggestion contained in a secretariat study on trade expansion (TD/B/C.2/21) that meeting of governmental expert groups be convened in order to assess in what products demand in developing and socialist countries could be met by mutual trade. Technical groups could even examine which industrial sectors in developing countries would be suitable for industrial branch agreements. The expert groups could furthermore supply information on new trade possibilities, particularly in relation to the current economic reforms in socialist countries of Eastern Europe.

40. Representatives of socialist countries of Eastern Europe declared their willingness to participate in trade consultations between all interested countries having different economic and social systems, when appropriate, on a voluntary and non-restricted basis.

41. A number of suggestions and requests concerned the work of the secretariat. There was general agreement that the periodic reports referred to in paragraph 23 above should be continued, and it was suggested that they might deal with more specific problems. Likewise, further case studies should be undertaken on trade of particular developing countries with socialist countries. The representative of one developing country suggested that within the framework of the United Nations Export Promotion Programme, the joint UNCTAD/GATT International Trade Centre could be asked to pay particular attention to the question of establishing direct trade links between developing countries and socialist countries. Another representative of a developing country suggested that the secretariat prepare a study to determine in concrete terms the possibilities of establishing new export-oriented industries in developing countries based on imports of capital goods from socialist countries.

42. There was general agreement that UNCTAD, within the terms of General Assembly resolution 1995 (XIX) of 30 December 1964, was an appropriate forum for promoting trade between countries having different economic and social systems, including East-West trade, paying attention particularly to the trade interests of developing countries and taking into account the functions performed by existing international organizations. There was a considerable area of agreement to the effect that UNCTAD, in matters of East-West trade, had a central role to play as a forum for exchange and promotion of ideas and experience. Moreover, representatives of developing countries and socialist countries of Eastern Europe, as well as some developed market-economy countries, supported UNCTAD's role in dealing with those matters in substance and in initiating and stimulating action in other bodies. It was generally emphasized that UNCTAD and other United Nations bodies, in particular the Economic Commission for Europe (ECE) should work in close co-operation. Several representatives expressed the view that UNCTAD should also work in co-operation with GATT.

43. Two draft resolutions on agenda item 9 (c) were submitted: TD/II/C.5/L.7, submitted by a group of socialist countries of Eastern Europe, and TD/II/C.5/L.10 and Corr. 1 and 2, submitted by a group of developing countries (the texts of the draft resolutions are reproduced in appendix I). They were considered by the Committee. The Secretary made a statement on their financial implications (see appendix II). The Committee referred the draft resolutions to the plenary for further consideration and action.

Chapter III

Impact of the regional economic groupings of the developed countries on international trade including the trade of the developing countries

(Agenda item 9 (d))

44. In introducing the documentation for the agenda item, the representative of the Secretary-General recalled the history of this matter within UNCTAD. The relevant General Principles Eight and Nine,¹³ adopted at the first session of the Conference, and the discussions at the fourth session of the Trade and Development Board indicated that there was some overlapping between this topic and several other topics already under more specific consideration in the Conference, notably the question of the special reciprocal preferential relationships between certain developing countries and certain regional economic groupings; the question of a system of general preferences for manufactures and semi-manufactures on behalf of all developing countries; and the problems of access to developed-country markets, especially where agricultural policy was concerned. It was, therefore, suggested that, in considering the item, the Committee might wish to take account of such parallel consideration in other bodies of the Conference.

¹³ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 20.

45. With respect to the substance of the topic, the representative of the Secretary-General stated that nearly 40 per cent, or a very substantial proportion of the 1965 trade flows in manufactures and semi-manufactures among the developed countries, was covered by derogations from the most-favoured-nation clause under articles I and XXIV¹⁴ or under special waivers of the General Agreement on Tariffs and Trade. That proportion would presumably increase in the event of an enlargement or rearrangement of existing regional groupings or of a creation of new groupings. Many methodological problems were involved in the quantitative estimation of the impact of such groupings on trade flows of third countries, including that of developing countries. On the other hand, one of the effects of the Kennedy Round of trade negotiations would be to decrease the margin of preferential treatment of industrial goods enjoyed by States members of the major regional groupings in Western Europe. Moreover, to the extent that a system of generalized preferences for manufactures and semi-manufactures was established, much of any potential adverse impact of the existing groupings or enlarged groupings of developed countries would be eliminated, as far as the trade of developing countries in industrial goods was concerned.

46. In principle, many representatives of countries participating in the debate favoured economic integration, including that among developed countries. They recognized that that process yielded economies of scale, better specialization, improved utilization of technological possibilities, and other benefits that could not only accelerate the growth of the participating countries, but also bring indirect advantages to third countries. However, most of the representatives felt that their evaluation of any particular regional grouping must depend on the manner in which it was implemented and on its effects on the trade of other countries and, in particular, the trade of developing countries.

47. In that connexion, representatives of a number of developing and socialist countries of Eastern Europe referred to the provisions of General Principles Eight and Nine, and in particular to the views expressed in the Charter of Algiers. General Principle Nine had explicitly called on developed countries participating in regional economic groupings to do their utmost ensure that their economic integration did not cause injury to or otherwise adversely affect, the expansion of their imports from third countries, and, in particular, from developing countries either individually or collectively. General Principle Eight had implicitly referred to the problem of regional groupings of developed countries when it called on them to extend to developing countries all concessions they granted to each other and without requiring reciprocal concessions. It had also called for a progressive reduction of special preferences and for their elimination as and when effective international measures guaranteeing at least equivalent advantages to the countries concerned came into operation. The Charter of Algiers asked regional economic groupings of developed countries to avoid discriminating against exports of developing countries, stated that the enlargement of these

¹⁴ GATT, *Basic Instruments and Selected Documents*, vol. III.

groupings should not increase the incidence of any discrimination, and called on regional economic groupings to take measures to ensure freer access to their markets of imports from developing countries.

48. With respect to the general effects of regional economic groupings of developed countries on world trade and, in particular, on the trade of developing countries, a number of representatives of developing and socialist countries of Eastern Europe expressed the view that there had in fact been unfavourable effects resulting from formation of the major Western European regional economic groupings. Emphasis was laid, and statistics were cited, by some representatives on the tendency of trade within the two major Western European economic groupings to rise much more rapidly than imports by these groupings from non-member States, and that consequently the relative shares of the latter countries in the markets of the member States of those groupings were declining. Thus, the trade among the members of one regional grouping had increased at an average annual rate of 14.8 per cent between 1960 and 1966, which was about double the rate of increase in trade with third countries. In addition, certain representatives called attention to specific unfavourable situations in their own trade with the regional groupings, which, it was felt, reflected the adverse impact of the integration process or other policies of these groupings. Some representatives of developing and socialist countries of Eastern Europe also noted the possibility that enlargement of one of the groupings to include additional developed countries might lead to an increased incidence of discrimination against third countries, especially developing countries. Finally, representatives of socialist countries of Eastern Europe and several representatives of developing countries stated that, either by their nature or because of the specific policies followed, the regional groupings in Western Europe had handicapped particularly the growth of East-West trade and of trade between socialist countries and developing countries.

49. On the other hand, representatives of developed market-economy countries, speaking on behalf of member States of the regional economic groupings to which they belonged, called attention to the rising imports of those groupings from all major groups of third countries, including developing and socialist countries. They stated that any tendency of trade within the groupings to rise more rapidly than imports from third countries was to be expected, being the manifestation of the economic integration process itself; but by generating incremental economic activity, it led to higher imports from outside the groupings.

50. Representatives of several countries agreed with the representative of the Secretary-General, who had pointed out that quantitative assessment of the net balance of advantage or disadvantage of the regional groupings was difficult in view of the fact that the increase in trade within the groupings could reflect either trade creation or trade diversion or both. An absolute increase in imports from third countries could reflect the dynamic effects of incremental economic growth attributable to economies of scale and more efficient utilization of resources associated with formation of the economic groupings. Such increase

could result from other factors that presumably would have operated regardless of the process of economic integration.

51. The representative of one country felt that more importance than was justified had been imputed to the dynamic growth effects specifically attributable to the creation of the European Economic Community (EEC). The dismantling of trade barriers within the grouping, in conjunction with a retention of external trade barriers, was having substantial trade-diversion effects, which were evidenced by a reduction in that grouping's marginal propensity to import from third countries. Thus the fact that his country's total exports to EEC had increased in absolute terms did not mean that there had not been a substantial negative impact on the structure of his country's trade with that regional grouping.

52. Representatives of the developing countries and the socialist countries of Eastern Europe who had expressed the view that there had been substantial adverse general effects of regional groupings of developed countries on developing or other third countries referred specifically to three categories of trade: manufactures and semi-manufactures, tropical agricultural products, and temperate-zone agricultural products.

53. With respect to manufactures and semi-manufactures, note was taken of the fact that external tariffs on industrial goods had been substantially reduced in the Kennedy Round, as well as in previous multilateral tariff negotiations. To the extent that that had occurred, the incidence of the tariff preference favouring goods produced within the groupings had been reduced. Nevertheless, representatives of several developing countries observed that, although useful reductions had been made in some products of special interest to developing countries, the deepest cuts in tariff barriers had tended to be concentrated in chemicals, equipment, and other technologically advanced products that were primarily of interest to the more industrialized countries. Tariffs still remained relatively high on many products of interest for developing countries, some of which also continued to be subject to non-tariff barriers. In consequence of this asymmetrical result of the Kennedy Round, the developing countries' share in world trade would probably continue to decline. On the other hand, the representative of a developed country who spoke on behalf of the member States of EEC stated that, as a result of a long series of global tariff reductions, the EEC Common External Tariff would ultimately be the lowest of the tariffs of all the major developed countries, with an average level of only about 7 per cent. To be sure, this would still not solve all the problems experienced by developing countries exporting manufactured goods, and that was why the Community had declared its intention of co-operating in bringing into effect a generalized system of preferences. A number of representatives of developing countries also stressed the importance of the proposal for the establishment of a system of general preferences as a major element in the solution of the problem of the impact of regional economic groupings on the trade of developing countries in processed goods.

54. Representatives of several developing countries called attention to the fact that not only tariffs but also

non-tariff barriers and high internal revenue duties were still being applied by some developed countries belonging to regional economic groupings to tropical products produced only by developing countries. Other delegations, however, tended to relate the question of the treatment of tropical products primarily to the problem of special preferences.

55. Representatives of many developing and socialist countries of Eastern Europe and of one developed market-economy country expressed their apprehension concerning the effect of policies of regional economic groupings of developed market-economy countries on trade in temperate-zone agricultural products. Although several delegations also mentioned agricultural arrangements in States members of the European Free Trade Association (EFTA), and others stated that problems of agricultural protection in developed market-economy countries should be viewed in a broader context than that of the specific policies of any regional economic groupings, much of the discussion centred on the Common Agricultural Policy (CAP) of EEC. Representatives of some countries referred to the special commercial policy techniques characterizing the CAP: notably, variable levies on imports and the export refunds financed by the European Agricultural Guidance and Guarantee Fund. Some also called particular attention to the levels of support given to agricultural products covered by EEC regulations for market organization. A number of representatives of developing and socialist countries of Eastern Europe expressed the view that the operation of the system had had adverse effects on trade in specific products of interest to them, for example, sugar, frozen meat, pigmeat, poultry, eggs and wine. Some cited specific estimates of their trade losses attributed to the CAP.

56. The representative of a developed market-economy country speaking for the member States of EFTA called attention to the fact that one of the objectives of EFTA was to contribute to the harmonious development and expansion of world trade and to the progressive removal of barriers to it, and that the countries of EFTA maintained complete freedom in their external trade policies towards third countries. It was not accurate to speak of "EFTA policies" in the context of relations between member States of EFTA and other countries.

57. The representative of a developed market-economy country who spoke for the member States of EEC took exception to the secretariat's exclusive emphasis, in its documentation for this item, on the economic groupings of the developed market-economies, and to its failure to investigate the impact of those other kinds of regional economic groupings that involved primarily the concerting of centralized economic plans rather than the exchange of commercial concessions. The same representative also pointed out that since it was difficult to assess quantitatively and beyond dispute the effects of the formation of an economic grouping on the trade of third countries, careful attention should be paid to the actual facts. In that connexion, he stressed the magnitude of the increase in the Community's imports from third countries taken as a whole, which had risen from \$16,000 million in 1958 to \$30,000 million in 1966. There had been a particularly marked increase in imports from Central and Eastern Europe and there was also a noticeable increase from each

of the major developing regions. The deficit in the EEC trade balance with the developing countries had itself grown considerably since 1958 and had exceeded \$3,000 million *per annum* since 1965. From 1958 to 1968, that deficit had made available to those countries almost \$17,000 million in freely convertible currencies.

58. The representative of EEC expressed his view on the criticisms of CAP. He pointed out that EEC imports of products subject to CAP market regulations had regularly increased, particularly from Latin America and countries of Eastern Europe, and of many products such as cereals, beef and fats and oils, the total rising from about \$2 billion in 1958 to about \$3.1 billion in 1966. The import declines in specific categories (such as eggs and poultry) from certain countries were attributable to such factors as rapid progress in productivity in the Community rather than to the CAP as such and many developed countries faced similar difficulties owing to the extraordinary increase in agricultural productivity. In defense of the variable levies, it was pointed out that installation of that system had been accompanied by abolition of quantitative restrictions, thereby putting all third countries that exported to the Community in an equivalent competitive position. He stressed specifically that socialist countries of Eastern Europe were not in fact being discriminated against under the system; indeed, their exports were growing most rapidly. Variable levies and compensatory taxes on imports had as their objective to discourage certain exporting countries from making offers at abnormally low prices. Moreover, the EEC Common Agricultural Policy was evolving. The Community had made constructive suggestions for confrontation of all agricultural support policies in the Kennedy Round, and it had participated in working out a multilateral agreement on food aid. The representative of EEC stated that the Community's agricultural policy was being constantly re-examined and had been formulated openly in consultation with the trading partners and, furthermore, the policy was not a conservative one. The EEC, he said, intended to reconcile the interests of the agricultural producers with its responsibilities in international trade. He added that new approaches were being sought to cope with many of the new problems that had arisen, but solutions must be politically reasonable and proposed in full understanding of the positions of the various interests involved.

59. Most speakers explicitly or implicitly took account of the fact that problems connected with the existence of association agreements or other special preferential links between regional economic groupings of developed countries, or countries belonging to such groupings, on the one hand, and developing countries or groups of developing countries, on the other, were already under discussion in at least three other bodies of the Conference. Nevertheless, it was also felt by many delegations that the topic of special preferences was so bound up with the subject-matter of agenda item 9 (d) that it should also be considered by the Fifth Committee, at least in its general aspects. One of these general aspects was the question whether or not the special preference arrangements, and particularly the provisions of the Convention of Association between the European Economic Community and the African and Malagasy States, associated with that

Community, signed at Yaoundé, 23 July 1963, had had a demonstrably adverse impact on the trade of other developing countries not participating in the arrangement. The representative of one developing country, which, although not a signatory to the Yaoundé Convention, had had limited preferential links with EEC countries, cited trade statistics indicating that, in many cases, countries not enjoying special preferences with EEC had increased their exports to that grouping more rapidly than did the countries having special association arrangements. Moreover, the special preferential advantages received from EEC did not in general apply to the commodities subject to the EEC Common Agricultural Policy. Mention was also made of the existence in the world of other types of special preferences than those based on association arrangements. Thus, when considering so-called "vertical" preferences, one should not ignore the *de facto* trading advantages created by investment links, zero-duty quotas, and other forms of "transverse" and "hidden" preferences. A number of representatives of developing countries indicated their substantial agreement with that analysis. The representative of one developing country emphasized also that his country, because of its small size, unfavourable topography, narrow domestic markets, and limited possibilities for diversification, would be uncompetitive in world markets without the support of special preferences. Moreover, representatives of two countries in Southern Europe having special arrangements with EEC stated that those arrangements had been negotiated to take account of the particular long-term objectives of the countries concerned with respect to formation of customs unions with EEC; in any case, there was no significant evidence of adverse effects on third-countries' trade.

60. Although a number of developing countries thus felt that the preferential arrangements their countries had with EEC had not, in fact, had an adverse impact on the trade of the other developing countries, many of the latter nevertheless continued to voice some apprehensions that economic incentives or pressures of circumstances beyond their control might induce additional developing countries to join "vertical" preferential systems and, in turn, to give further reciprocal advantages to particular developed market-economy countries or groups of countries. Such a tendency towards proliferation of association or similar arrangements would result, they felt, in compartmentalizing the world in a few North-South spheres of influence.

61. After considerable discussion, a broad consensus among the developing countries emerged on the basis of General Principle Eight and the Charter of Algiers, which had specified that the eventual reduction or elimination of special preferences was dependent on the coming into operation of effective international measures guaranteeing at least equivalent advantages to the countries now receiving such preferences.

62. During the course of the debate on agenda item 9 (d), several representatives made general recommendations of both substantive and procedural character, which they felt should be taken into account in resolutions or other conclusions emanating from the Committee. The substantive proposals urged the developed countries participating in regional groupings to abandon all inward-looking protectionist policies to give more aid to developing

countries, and to revise, by concrete measures, particular policies that might adversely affect the trading interests of developing countries. The proposals of a more procedural or institutional nature called for: preparation of studies by the secretariat on the impact of the regional groupings of developed countries; continuing review within the organs of UNCTAD of the policies of these regional groupings; and the development of suitable international procedures within the UNCTAD framework for achieving practical and effective solutions to particular problems arising out of the impact of the groupings on world trade.

63. A draft resolution (TD/II/C.5/L.5) on agenda item 9 (d) was submitted by the representative of Bulgaria and considered by the Committee. The text of this draft resolution is reproduced in appendix I to this report. The Secretary of the Committee made a statement on its financial implications (see appendix II). The Committee referred the draft resolution to the plenary for further consideration and action.

Chapter IV

Consideration of measures leading to the improvement of the international division of labour

(Agenda item 9 (e))

64. In introducing the documentation for agenda item 9 (e), the representative of the Secretary-General of UNCTAD suggested that the Committee take as its point of departure General Principle Five¹⁵ of the Final Act of the first session of the Conference, which provided that national and international policies should be directed towards the attainment of an international division of labour in harmony with the needs and interests of developing countries as a whole; that developed countries should assist developing countries in their efforts to speed up their economic and social progress and should co-operate in measures taken by developing countries for diversifying their economies; and that developed countries should also encourage appropriate adjustments in their own economies to this end. Reference was also made to Special Principle Two¹⁶, regarding the essential importance of industrialization of developing countries and modernization of their agricultural production. He then called attention to the relevant section of the Charter of Algiers, which advocated, *inter alia*, a new dynamic international division of labour whereby developed countries would avoid taking protective measures affecting agricultural exports of developing countries in fields in which the latter were more efficient, and avoid duplicating investments already made or about to be made by developing countries in industry.

65. The representative of the Secretary-General believed that the matter under deliberation offered two complementary lines of approach. First, it could be regarded as

¹⁵ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 23.

¹⁶ *Ibid.*, p. 22.

providing an over-all frame of reference within which many of the findings and recommendations of the Conference in the whole field of trade, including invisibles, would have an appropriate place. If that broadly conceived approach were adopted, the report by the Secretary-General of UNCTAD (TD/3/Rev. I¹⁷, especially chapter IV) could be considered as the secretariat's main documentation. Also, a brief secretariat document (TD/40) summarized the emerging tendencies for a shift toward a new international division of labour between developed and developing countries which were accompanying the dynamic changes in the underlying pattern of comparative advantage. But this process was being handicapped both by external obstacles, such as barriers to developing countries' exports, and by internal obstacles, arising out of the policies and structural problems of developing countries themselves. Moreover, there were also other world trade flows, besides those between developing countries and developed market-economy countries, where the composition and conditions of trade would appear to be less than optimal from the standpoint of comparative advantage.

66. The second approach would concentrate on certain specific topics that had been stressed by various delegations when they discussed the international division of labour in the plenary debate. Examples were: trade adjustment assistance measures in the developed countries; the role of joint production arrangements, including both co-operative production agreements between developing-country and socialist-country enterprises and joint ventures with private multinational firms; and the problems posed by the structure of the protective commercial policies applied by developing countries.

67. There was a broad consensus that the problem of restructuring the existing international division of labour was of fundamental importance not only in the second session of the Conference, but also in the continuing work of UNCTAD and of other bodies in the United Nations. As the process of restructuring the international division of labour continued, adjustments should take place whereby the more advanced countries would tend to concentrate their resources more on new products of a research-intensive or high-technology character, while the developing nations would expand their exports of manufactures and semi-processed goods.

68. Many representatives concurred in the view that improvement of the international division of labour involved convergent measures in a number of fields that were more specifically being considered under other items of the Conference agenda. Among the most important of these measures was the establishment of a general system of preferences in favour of exports by developing countries of manufactured and semi-manufactured products. Representatives of various delegations also referred to other problems of market access (including policies for basic commodities); to the problem of differing levels of development in developing countries; to trade expansion and economic integration among developing countries;

and to the role of aid in supplementing the resources of developing countries for their industrial development.

69. Reference was made by many representatives of developing and developed market-economy countries to the relationship between the international division of labour and the operation of the concept of comparative advantage. In their view, that concept should not imply a static situation, but rather should be interpreted in a dynamic sense. Representatives of developing countries pointed out that the widespread belief that developing countries could not produce manufactured goods competitive in price and quality was erroneous. They stated that the availability of natural resources and manpower gave many developing countries a relative advantage in resource-based processing industries or in labour-intensive manufacturing: some of those countries had become relatively competitive in world markets and could export more sophisticated processed products under favourable conditions of market access. However, the point was also made, by representatives of a developing and a developed market-economy country, that the fact that a developing country might still — for the time being — be relatively uncompetitive in certain sectors was no reason for it not to be encouraged to participate in international trade, e.g. by benefiting from a system of generalized preferences. With respect to the dynamic character of the pattern of comparative advantage, the representative of the developed market-economy country also stated that the rising tendency of wage levels would have its heaviest impact on relatively low-wage labour-intensive industries in his country, leading to specialization in more productive employment and thereby increasing opportunities for developing countries to export labour-intensive products.

70. Several representatives of developed market-economy countries and of developing countries pointed out that the developed countries would face problems of adjustment in their domestic economies resulting from the greater flow of imports associated with the anticipated improvement in the international division of labour. Much attention therefore had to be given to measures for trade adjustment assistance. Although the representatives of several developed market-economy countries indicated that their countries already had legislation providing for such assistance to declining industries or regions that might be threatened by increased imports, they felt that further preparations might still be needed. It was also stressed by several of those representatives that implementation of measures of trade adjustment assistance should precede or accompany the increase in imports; if they were implemented only after damage had occurred, it would be too late and there would then be the great danger that safeguard measures of a trade-restricting character would be applied. In that connexion, the representative of one developed market-economy country called attention to the necessity for national adjustment assistance policies to be co-ordinated internationally.

71. Representatives of developing countries were supported by representatives of socialist countries of Eastern Europe when they spoke of the adverse effects of high nominal and effective tariffs on manufactured and semi-manufactured exports of developing countries, even after the Kennedy Round, and of non-tariff barriers affecting

¹⁷ *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6).

some of these products. In that connexion, reference was made to document TD/40, which indicated that there was a tendency for import barriers to be greatest with respect to those labour-intensive or resource-based types of product where the developing countries' comparative advantage was most apparent. The representative of a developing country and of a socialist country of Eastern Europe also considered that certain policies of regional economic groupings of developed market-economy countries were impediments to the desired improvement of the international division of labour.

72. When emphasizing the need for the developed countries to make the necessary adjustments in their economies to permit increased imports of labour-intensive goods from developing countries, several representatives of developing countries referred to a report prepared by the International Labour Office (TD/46/Rev. I and Corr. I) in support of the view that the labour-displacing effect of such increased imports was relatively minor in comparison with the adjustments in the labour market that were constantly being required because of advances in productivity. Besides calling for better access for labour-intensive manufactures, however, representatives of developing countries stressed the importance of trade liberalization for resource-based products, especially processed agricultural products, which were of particular interest to the relatively less advanced developing countries. One representative of a developing country also called upon countries having centrally-planned economies, in drawing up their national and regional development plans, to take due account of the production potential in developing countries.

73. Representatives of some developing countries noted with approval the references in document TD/40 to the existence not only of external obstacles to an improved international division of labour, but also of obstacles arising out of the policies of developing countries themselves. In particular, these representatives referred to the trade-frustrating effects of excessive protection or over-valued currencies in some developing countries. They pointed to the favourable effects obtained in their own countries following a shift in policy emphasis from inward-looking import substitution toward greater orientation of production for export. Other representatives of developing countries also cited their countries' efforts to make various structural adjustments in their economies in the interest of better participation in the international division of labour.

74. Several representatives of developing countries advocated better utilization of opportunities offered by various types of joint ventures, including those with private multinational firms, to diversify production for export in developing countries and to ensure access to the latest technological know-how. With respect to private capital, however, it was pointed out by the representative of one developing country that investors were reluctant to put money into developing countries' industries so long as future prospects were uncertain.

75. Representatives of the socialist countries of Eastern Europe laid particular stress on the primary responsibility of the developed market-economy countries to take corrective measures, especially because it was those countries that had benefited from imposing the old international

division of labour on their colonies. One representative said that measures to improve the international division of labour must start with attempts to eliminate the economic and social inequalities between nations, the magnitude of which had been borne out in UNCTAD statistics. He also referred to his own country's experience in achieving industrialization; although it had been mainly a primary producing country before the war, it was now exporting complex industrial installations. In that connexion he emphasized that measures should be taken to eliminate all barriers hindering the normal development of international trade. The representative of another socialist country of Eastern Europe described the expected effects of recent economic reforms on his own country's broader participation in the international division of labour. He stated, however, that increased recourse to market mechanisms and cost criteria of efficiency meant that his country could not be expected to provide outlets for uncompetitive products. Moreover, the other trading partners also had to adapt to the requirements of the market.

76. The representatives of the socialist countries of Eastern Europe said that they were ready to continue to offer co-operation in the fields of trade, aid, and exchange of scientific and technological knowledge to assist developing countries. Special mention was made of the possibilities for co-operative production arrangements or joint ventures, in which capital advanced to the enterprises in developing countries could be repaid in the form of exports produced by the enterprises assisted.

77. Representatives of countries having developed market-economies said that the international division of labour did not mean the arbitrary allocation of economic activities among the various countries by a central authority in a co-ordinated world economy; nor was it an automatic process based only on "laissez faire, laissez passer". Rather, it was a dynamic process influenced by natural factors, technological development, as well as by the positive measures taken at the national and international levels. They mentioned positive measures already taken by individual developed countries to liberalize their trade in products of interest to developing countries as well as the measures taken or foreseen in the field of trade adjustment assistance. They stressed, however, that the adjustment process presented difficult social problems and required timely recognition and careful advance planning. Some of these representatives noted particularly the role of full-employment policies and the importance of a steady economic growth in facilitating adjustments. The representative of one developed market-economy country pointed to the success achieved in his country through measures of training and financial assistance given to workers displaced by changes in the international division of labour. Another representative took issue in detail with the thesis expressed in document TD/46/Rev. I and Corr. I that imports had only marginal impact on employment as compared with the impact of productivity advances, and the assumption that markets were static. He believed that the method of calculation used in the document was over-simplified.

78. Several proposals were made in the course of the debate. One representative of a developing country proposed:

(a) That studies in depth be undertaken to identify those industrial branches best suited for establishment in developing countries and in which, as a corollary, developed countries would refrain from promoting parallel installations based upon raw materials imported from developing countries;

(b) That studies be undertaken in developed countries to identify the industrial branches that are relatively labour-intensive and which may have become uneconomic for them;

(c) That some suitable agency or organization be entrusted with the identification of fields in which the technical and financial resources of the developed countries could be combined with the skills, practical experience, and available machinery of the developing countries for the establishment of joint ventures in third countries;

(d) That an appropriate agency be made responsible for collecting and disseminating information on the availability in developing countries of managerial skills, technical know-how and experience, manufacturing capacities, facilities for training and education, plans for industrialization and development, etc. with a view to creating a central clearing house for matching the needs of developing countries with resources available from other developing countries.

Those proposals were supported by the representative of another developing country, who particularly stressed the suggestion for closer co-operation among the developing

countries themselves. Other representatives of developing countries suggested that the UNCTAD secretariat, with the help of other international organizations concerned, should be charged with undertaking industry-by-industry and product-by-product studies of comparative costs and competitiveness with a view to determining the sectors of production that lent themselves to international re-allocation. It was also argued that developed countries should be asked to prepare advance programmes for the adaptation of their domestic economic patterns by industrial reconversion measures. The developed countries, it was stated, should undertake definite commitments and make periodic reports thereon to UNCTAD or other permanent international machinery.

79. The representative of a socialist country of Eastern Europe suggested that the Trade and Development Board should review in depth the present situation of the international division of labour on the basis of UNCTAD secretariat studies. He also proposed that governments might be called upon to pronounce on what concerted actions they should take towards reshaping the present international division of labour. The representative of another socialist country of Eastern Europe felt that it should be one of the permanent aims of the work of UNCTAD and of other international organizations to keep world opinion conscious of the importance of an improved international division of labour and of the problems involved.

APPENDICES

Appendix I

DRAFT RESOLUTIONS, DECISIONS AND DECLARATIONS SUBMITTED TO THE FIFTH COMMITTEE

Steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development

(Agenda item 9 (b))

*Draft resolution submitted by Afghanistan, Algeria, Argentina, Bolivia, Brazil, Burma, Cambodia, Cameroon, Central African Republic, Ceylon, Chile, Colombia, Congo (Democratic Republic of), Cyprus, Ecuador, Ethiopia, Gabon, Ghana, Guinea, Guyana, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malawi, Malaysia, Mauritania, Mexico, Nepal, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Somalia, Southern Yemen, Sudan, Syria, Thailand, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia (TD/II/C/L.9 *)*

The United Nations Conference on Trade and Development,

Recognizing that the United Nations Conference on Trade and Development has adopted in recommendation A.I.1^a a set of prin-

ciples governing international trade relations and trade policies conducive to development,

Recalling recommendation A.I.3^b of the Final Act of the first United Nations Conference on Trade and Development which calls for the pursuance of efforts by the institutional machinery of the Conference to achieve the broadest possible measure of agreement at the earliest possible moment on a set of principles governing international trade relations and trade policies conducive to development,

Recalling resolution 2085 (XX) of 20 December 1965, adopted by the General Assembly at its twentieth session, requesting member States of the Conference to do their utmost in order to reach as soon as possible the broadest measure of agreement on the principles governing international trade relations and trade policies conducive to development in view of the importance of these principles,

Recognizing that efforts have been made to this end by the Trade and Development Board during its first five sessions, ^c

^a Incorporating documents TD/II/C.5/L.9/Corr.1 and 2.

^b See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 18-23.

^b *Ibid.*, p. 26.

^c See reports of the Trade and Development Board, (*Official Records of the General Assembly, Twentieth Session, Supplement No. 15; ibid., Twenty-first Session, Supplement No. 15; ibid., Twenty-second Session, Supplement No. 14*).

Noting with satisfaction the statements made in the course of the second session of the Conference stressing the importance of the set of principles adopted at the first session of the Conference,

1. *Reaffirms* the great importance of the principles in the improvement of international trade relations and trade policies;

2. *Urges* all member States to support and to implement the set of principles governing international trade relations and trade policies conducive to development;

3. *Requests* the Trade and Development Board in accordance with General Assembly resolution 1995 (XIX) of 30 December 1964, to examine the desirability of elaborating on fundamental issues which may be raised, additional principles consistent with the set of principles already adopted and to report thereon to the third session of the United Nations Conference on Trade and Development;

4. *Requests* the Trade and Development Board to establish appropriate machinery for consultation on, and settlement of, problems pertaining to the implementation or non-implementation of any of the existing principles and of new principles as may be adopted hereafter, and further requests the Board to include the observation of member States on such problems in its report to the Conference and to the General Assembly.

Trade relations among countries having different economic and social systems including problems of east-west trade, paying attention particularly to the trade interests of developing countries and taking into account the work in this field of other United Nations organs, including the regional economic commissions

(Agenda item 9 (c))

Draft resolution submitted by Bulgaria, Byelorussian SSR, Czechoslovakia, Hungary, Poland, Romania, Ukrainian SSR and the Union of Soviet Socialist Republics (TD/II/C.5/L.7)

The United Nations Conference on Trade and Development,

Bearing in mind that General Assembly resolution 1995 (XIX) of 30 December 1964 as well as the decisions of the United Nations Conference on Trade and Development refer to the need to promote trade, *inter alia*, between countries having different social and economic systems,

Considering that East-West trade is an integral part of world trade and that the normalization of this flow of trade would positively affect the expansion of international trade as a whole, including the trade of developing countries,

Conscious of the necessity to promote trade and economic relations between Socialist and developing countries through constructive efforts of the parties concerned,

Noting that certain, although limited, progress has been achieved since the first session of the Conference in the normalization of East-West trade,

Recognizing further that international trade should be conducted to mutual advantage and on the basis of most-favoured-nation treatment and that the granting of concessions to developing countries without reciprocity should not be regarded as a departure from this principle,

Convinced that by discharging its responsibility in the field of trade between countries having different economic and social systems, UNCTAD will enhance its authority and strengthen confidence in its universal mission,

1. *Invites* Governments of countries having different economic and social systems, including countries of East and West, to apply the most-favoured-nation treatment in their trade relations, in particular through appropriate agreements, with the aim of expanding their mutually advantageous trade;

2. *Invites* Governments of countries having different economic and social systems, especially of countries of the East and West, to undertake and promote constructive measures in the field of economic,

industrial, technical and scientific co-operation, which would be conducive to the expansion of their mutual economic relations;

3. *Invites* Governments of countries of East and West, in promoting their mutual trade and economic co-operation, to pay special attention to the trade interests of developing countries;

4. *Invites* socialist countries:

(a) To continue to adopt appropriate measures designed to increase and diversify imports of manufactures and semi-manufactures from developing countries, taking into account the trade and development interests of the latter;

(b) To continue to contribute, both through participation in multilateral efforts and through appropriate bilateral arrangements, to the stabilization of prices for the exports of developing countries;

(c) In drawing up their plans, to take account of the production and export potential in developing countries;

(d) To refrain from re-exporting the goods purchased from developing countries, except with the consent of the developing countries concerned;

(e) To encourage the conclusion of industrial branch agreements for the supply of plants and equipment on credit to the developing countries, accepting repayment of such credits in goods manufactured by these plants or in other products of the developing countries concerned, as appropriate;

5. *Invites* the developing countries for their part:

(a) To accord to the socialist countries conditions of trade not less favourable than those granted to the developed market-economy countries;

(b) To undertake steps to facilitate the implementation of the measures enumerated in paragraph 4 above and to carry out other positive measures with a view to promoting the further expansion of economic ties and the increase and diversification of mutual trade exchanges.

6. *Reaffirms* the request made by the Trade and Development Board to the Secretary-General of UNCTAD to submit periodically to the Conference or to the Board reports on problems of trade between countries having different economic and social systems;

7. *Deems* it desirable to carry out, when appropriate, within the framework of UNCTAD multilateral or bilateral consultations on a voluntary basis between all interested countries with different economic and social systems countries with a view to discussing relevant problems of their mutual trade relations.

*Draft resolution submitted by Afghanistan, Algeria, Argentina, Bolivia, Brazil, Burma, Cambodia, Cameroon, Central African Republic, Ceylon, Chile, Colombia, Congo (Democratic Republic of), Cyprus, Ecuador, Ethiopia, Gabon, Ghana, Guinea, Guyana, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malawi, Malaysia, Mauritania, Mexico, Nepal, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Somalia, Southern Yemen, Sudan, Syria, Thailand, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia (TD/II/C.5/L.10) **

The United Nations Conference on Trade and Development,

Recognizing the desirability of expanding trade between developed market-economy countries and developed countries with centrally-planned economies on the one hand, and between developing countries and developed countries with centrally-planned economies on the other,

Recalling resolution 1995 (XIX) of 30 December 1964 of the United Nations General Assembly entrusting *inter alia* to the United Nations Conference on Trade and Development the task of promoting international trade between countries at different stages of

* Incorporating documents TD/II/C.5/L.10/Corr.1 and 2.

development, between developing countries and between countries with different economic and social systems, and resolution 2085 (XX) of 20 December 1965 of the General Assembly which recognizes the necessity of encouraging all flows of international trade,

Recalling General Principles Two, Six and Seven^d governing international trade relations and trade policies conducive to development as embodied in recommendation A.I.1^e of the Final Act of the first session of the Conference on Trade and Development,

Noting the declaration^f unanimously adopted at the twenty-second session of the United Nations Economic Commission for Europe concerning the further development of trade, economic, scientific and technical co-operation between the member states of the Commission,

Bearing in mind recommendations A.II.1, part II B, A.III.2; A.III.7 and A.VI.7^g of the Final Act of the first session of the Conference on Trade and Development,

Noting the statement made by the Secretary-General of the United Nations at the fifty-first plenary meeting of the second session of the United Nations Conference on Trade and Development to the effect that "it is an inevitable consequence of growing international interdependence that the constriction of any one channel of economic relationship tends to react adversely upon other channels as well",^h

Considering that the expansion of trade between developed market-economy countries and developed countries with centrally-planned economies will benefit developing countries only if appropriate measures are taken by those two groups of countries,

I

1. Recommends that developed countries having different economic and social systems while giving due consideration to the interests of developing countries, and in accordance with General Principle Two contained in recommendation A.I.1,

(a) Refrain from adopting policies and measures which would lead to a constriction of trade channels between them;

(b) Continue their common efforts towards the expansion of trade and to this end to seek to remove the economic, administrative and trade policy obstacles to the development of trade;

(c) Undertake and promote constructive measures in the field of economic, industrial, technical and scientific co-operation;

(d) Consider any further appropriate policies or measures aimed at expanding economic relations between them on the basis of reciprocity and mutual advantage;

2. Recommends that all developed countries adopt the necessary measures in order that the expansion of trade between developed countries with centrally-planned economies and developed market-economy countries do not unfavourably affect the trading possibilities of the developing countries, but, on the contrary, lead to expansion of trade between them and the latter;

II

Recommends that countries with centrally-planned economies:

1. Take the necessary measures including the setting of targets to further expand their trade with developing countries and, at the

^d See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 18-20.

^e *Ibid.*, pp. 18-25.

^f See *Official Records of the Economic and Social Council, Forty-third Session, Supplement No. 3*, para. 260.

^g See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 30, 35, 36, 40, 41 and 65.

^h TD/67 (See *Proceedings of the United Nations Conference on Trade and Development, Second Session*, vol. I: *Report*, annex IX).

same time, to promote the diversification of the structure and of the geographical basis of this trade with these countries, in order that all developing countries derive maximum benefit from this trade. The socialist countries should raise the rate of growth of imports from developing countries by a substantial annual percentage;

2. Conclude long-term agreements for exchange of commodities with the developing countries which would include suitable provisions for assured offtake of primary commodities and also for stability of prices;

3. Abolish tariff and non-tariff barriers, including administrative restrictions, on goods imported from and originating in developing countries;

4. Grant preferential access conditions for products originating in developing countries. These conditions should include the establishment, in their international purchasing policies, of margins of tolerance in favour of developing countries with regard to prices and delivery terms;

5. Reduce, with a view to its elimination, the margin between import price and the domestic selling price of the products imported from developing countries, in order to stimulate their internal consumption of these products;

6. Multilateralize as soon as possible payments arrangements between them and developing countries to facilitate and stimulate the expansion of the trade between developing countries and developed countries with centrally-planned economies;

7. Ensure that the periods stipulated in the contracts concluded between their agencies and the enterprises in developing countries would be sufficiently long to enable the enterprises in the developing countries concerned to plan and execute with greater efficiency their investment, production and delivery programmes.

8. Include in their development plans measures:

(a) To maximize their imports of primary commodities from developing countries by adapting their production structure to the export needs of those countries and by refraining from importing primary commodities from other sources whenever they are available, at competitive prices, in developing countries;

(b) To maximize their imports of manufactures and semi-manufactures from developing countries so that these imports attain a level commensurate with the import capacity flowing from the stage of development of the countries with centrally-planned economies;

9. Refrain from re-exporting the goods purchased from developing countries, unless it is with the consent of the developing countries concerned;

10. Adapt the credits extended for financing of projects in developing countries to particular conditions of the countries concerned and, where appropriate, make provisions for their repayment by the export of the products of those or other projects;

11. In the light of recommendation A.III.2 of the first session of the Conference, encourage the conclusion of industrial branch agreements for the supply of plants and equipment on credit to the developing countries, accepting repayment of such credits, in particular, with the goods manufactured by these plants in the developing countries concerned;

12. Co-operate in the technological research efforts of developing countries by making known to them the results of their work in this field and also by helping national research efforts in these countries;

III

1. Recommends that developing countries in their efforts to increase their over-all trade, give, in particular, due attention to the possibility of expanding their trade with developed countries having centrally planned-economies,

(a) By encouraging direct trade without intermediaries with these countries;

(b) By endeavouring to adapt their exports to commercial specifications required by their trading partners;

(c) By supplying their goods to these countries at conditions not less favourable than those granted to other developed countries, without prejudice to the necessity for all developed countries to improve the conditions under which such goods are imported by them, taking into account the transitional safeguarding measures, consequent upon the implementation of the general preference system;

IV

1. *Requests* the Secretary-General of UNCTAD in consultation with the regional economic commissions of the United Nations and with other competent organs of the United Nations, to keep under review the progress achieved in the expansion of trade (a) between developed countries having different economic and social systems and (b) between developed countries with centrally-planned economies and developing countries, and to continue to submit periodical reports thereon to the Conference and to the Trade and Development Board, including the sessional committees established under paragraph 3 hereunder;

2. *Further requests* the Secretary-General of UNCTAD:

(a) To prepare a study on the different forms of multilateral systems of payments which could be established between developing countries and centrally-planned economies taken individually or severally with due regard to the report of the group of experts on *Payments Arrangements among the Developing Countries for Trade Expansion*,¹

(b) To reconvene a group of experts on multilateral payments mechanism, not later than the first quarter of 1969, consisting of representatives of countries having different economic and social systems and the interested developing countries with a view to examining the study prepared by the secretariat and making recommendations to the Board on the most appropriate multilateral payment mechanisms which would contribute towards expansion of trade between developing countries and countries having different economic and social systems;

3. *Requests* the Trade and Development Board to convene sessional committees to proceed, in the light of the present recom-

mendation, to consultations on, and to the elaboration of proposals concerning, *inter alia*,

(a) The expansion of trade between developed countries having different economic and social systems taking into account its implications on the external trade of developing countries,

(b) The expansion of trade between developed countries with centrally-planned economies and developing countries.

Impact of the regional economic groupings of the developed countries on international trade, including the trade of developing countries

(Agenda item 9 (d))

Draft resolution submitted by Bulgaria (TD/II/C.5/L.5)

The United Nations Conference on Trade and Development,

Having examined the question of the incidence of the regional economic groupings in the developed countries on international trade and particularly on the trade of the developing countries,

Noting that the activities of certain groupings and the common policies and measures carried out by them have a negative impact on the trade of third countries, including a significant number of developing countries,

Taking into account the substantial influence of the common policies and measures undertaken within the framework of certain groupings on international commodity markets,

Aware of the desirability to establish a constructive dialogue between countries participating in such groupings and countries concerned by their measures with the view to reaching mutually acceptable solutions,

1. *Appeals* to the developed countries participating in regional economic groupings to take fully into account in carrying out their common policies and practical measures the interests of third and especially developing countries;

2. *Requests* the Secretary-General of UNCTAD to prepare in the light of paragraph 1 above reports and studies on new developments, related to the incidence of the regional economic groupings of the developed countries on trade of all countries, paying attention in particular to trade problems of the developing countries;

3. *Asks* the Trade and Development Board to examine periodically on the basis of these reports and studies the questions of the impact of the regional economic groupings of developed countries on world trade and to formulate practical proposals in this field.

¹ TD/B/80/Rev.1 (United Nations publication, Sales No.: 67.II.D.6).

Appendix II

STATEMENT OF FINANCIAL IMPLICATIONS OF DRAFT RESOLUTIONS CONSIDERED BY THE FIFTH COMMITTEE

1. STEPS TO ACHIEVE A GREATER MEASURE OF AGREEMENT ON PRINCIPLES GOVERNING INTERNATIONAL TRADE RELATIONS AND TRADE POLICIES CONDUCTIVE TO DEVELOPMENT (TD/II/C.5/L.9 *)

The draft resolution requests the Trade and Development Board to establish appropriate machinery for consultation on problems pertaining to the existing principles governing international trade relations and trade policies conducive to development. Without further indications of the nature of the machinery to be proposed it is not feasible to assess the financial implications of the draft resolution. However, in general terms, the cost of an expert or inter-governmental group would be covered by the budget, while the costs of a larger body requiring full conference services would not.

* Incorporating documents TD/II/C.5/L.9/Corr.1 and 2.

2. TRADE RELATIONS AMONG COUNTRIES HAVING DIFFERENT ECONOMIC AND SOCIAL SYSTEMS INCLUDING PROBLEMS OF EAST-WEST TRADE PAYING ATTENTION PARTICULARLY TO THE TRADE INTERESTS OF DEVELOPING COUNTRIES AND TAKING INTO ACCOUNT THE WORK IN THIS FIELD OF OTHER UNITED NATIONS ORGANS, INCLUDING THE REGIONAL ECONOMIC COMMISSIONS (TD/II/C.5/L.10) **

This draft resolution requests the Secretary-General of UNCTAD to convene a group of experts on multilateral payments mechanism not later than the first quarter of 1969. It is envisaged that the group would be composed of some ten governmental representatives who would meet for a period of about two weeks in 1968 or 1969. The meeting service costs of such a group would be covered by the bud-

** Incorporating documents TD/II/C.5/L.10/Corr.1 and 2.

get provision for inter-governmental and expert groups. The study to be prepared for the group on the different forms of multilateral systems of payments between developing countries and centrally-planned economies would be carried out by the regular staff of UNCTAD.

The draft resolution also requests the Board to convene a sessional committee for the elaboration of the proposals received from the group. The cost of servicing meetings for the sessional committee would be covered by the budget provision made for the relevant session of the Board.

3. IMPACT OF THE REGIONAL ECONOMIC GROUPINGS OF THE DEVELOPED COUNTRIES ON INTERNATIONAL TRADE, INCLUDING THE TRADE OF DEVELOPING COUNTRIES (TD/II/C.5/L.5)

The draft resolution requests the Secretary-General of UNCTAD to prepare studies on new developments relating to the incidence of the regional economic groupings of the developed countries on the trade of all countries, with particular attention to the trade problems of developing countries. These studies would be carried out by the regular staff of the UNCTAD secretariat.

F. REPORT OF WORKING GROUP I

CONTENTS

	Paragraphs	Page
<i>Introduction</i>	1-7	351
<i>Chapter I.</i> The world food problem — its relationship to international trade, export earnings and economic development of developing countries: measures to assist them to increase their food production and to improve the conditions for its distribution and marketing	8-26	352
<i>Chapter II.</i> Transfer of technology, including know-how and patents	27-37	353

APPENDIX

Draft declaration and draft resolution submitted to Working Group I:

1. Draft declaration on the world food problem	355
2. Draft resolution on transfer of technology, including know-how and patents	357

NOTE. The check list of documents prepared for and during the deliberations of Working Group I appears in annex X to the report of the Conference.

Introduction

1. At its 58th plenary meeting on 14 February 1968, the second session of the United Nations Conference on Trade and Development established Working Group I to consider and report on agenda items 9 (*f*) and 9 (*h*). Item 9 (*f*) reads as follows: "The world food problem — its relationship to international trade, export earnings and economic development of developing countries; measures to assist them to increase their food production and to improve the conditions for its distribution and marketing". Item 9 (*h*) reads as follows: "Transfer of technology, including know-how and patents".

2. At its 62nd and 64th plenary meeting, on 16 and 22 February, respectively, the Conference designated the following countries as members of the Working Group: Algeria, Argentina, Australia, Barbados, Belgium, Brazil, Bulgaria, Cambodia, Canada, Central African Republic, Ceylon, Chile, Congo (Democratic Republic of), Czechoslovakia, Denmark, Ecuador, Ethiopia, Federal Republic of Germany, Finland, France, Ghana, Guinea, Guyana, Holy See, Hungary, India, Indonesia, Italy, Jamaica, Japan, Kenya, Lebanon, Madagascar, Malaysia, Mexico, Netherlands, New Zealand, Norway, Pakistan, Poland, Republic of Viet-Nam, Romania, Rwanda, Somalia, Spain, Sudan, Sweden, Switzerland, Thailand, Union of Soviet Socialist Republics, United Arab Republic, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay and Yugoslavia. It was agreed that any representative of any State member of UNCTAD interested in the Working Group's deliberations would be free to participate in its proceedings.

3. At its first meeting on 26 February, the Working Group elected Mr. D. Santa Maria (Chile) as its Chairman; Mr. P. Tanasie (Romania), Vice-Chairman, and Mr. H.J.

Kristensen (Denmark), Rapporteur. At the sixth meeting on 8 March, the Working Group elected Mr. H. Ewerlöf (Sweden) as Rapporteur on account of the departure of Mr. Kristensen.

4. The Working Group held sixteen meetings from 26 February to 16 March 1968, at the last of which it adopted its draft report.

5. On the suggestion of the Chairman, the Working Group decided to deal first with item 9 (*f*) with the following order of business:

- (1) Situation and prospects;
- (2) Relationship to trade: export earnings and economic development of developing countries;
- (3) Measures to assist developing countries to increase their food production and to improve the conditions for its distribution and marketing
 - (a) National measures in developing countries;
 - (b) International co-operation:
 - (i) Food aid;
 - (ii) Aid to agriculture;
 - (iii) Trade measures for access.

6. During the discussion, some representatives pointed out the difficulties arising from the fact that certain aspects of the problem were being simultaneously considered by the Main Committees of the Conference, in particular the First, Second and Third Committees. Notwithstanding the various interventions to this effect, the Working Group agreed, at the suggestion of the Chairman, that it should deal with all the aspects of the problem.

7. The representatives of the Secretary-General of UNCTAD and of the Food and Agriculture Organization of the United Nations (FAO) made statements introducing agenda item 9 (*f*) and the representatives of the United

Nations Department of Economic and Social Affairs, of United Nations Educational, Scientific and Cultural Organization (UNESCO) and of the International Union for the Protection of Industrial Property made statements in connexion with item 9 (h). The representative of the International Chamber of Commerce, a non-governmental organization admitted as an observer under rule 81 of the rules of procedure of the Conference, made a statement in connexion with item 9 (h).

Chapter I

The world food problem — its relationship to international trade, export earnings and economic development of developing countries: measures to assist them to increase their food production and to improve the conditions for its distribution and marketing

(Agenda item 9 (f))

8. All the participants in the debate emphasized the importance of the world food problem, and the urgent need for its solution. A number of representatives stated that the world food problem had an important bearing on general economic development. They pointed out that it reflected sometimes the less satisfactory performance of the agricultural sector, which, in most developing countries, accounted for more than half of the national income and employment, and for over 70 per cent of foreign exchange earnings.

9. Reference was made to the fact that a sizable proportion of the world population suffered from hunger and malnutrition and that in many developing countries a high proportion of foreign exchange earnings was spent on food imports. In view of the chronic foreign exchange shortage of these countries, food imports competed with, and were likely to displace, imports of capital goods and raw materials essential for development. One representative expressed the view that the balance-of-payments situation in the recipient country should be taken as a criterion for granting food aid. Referring to studies and projections made by FAO and other bodies, some representatives expressed the fear that the continuation of present trends would lead to a further deterioration in the world food situation, with grave consequences in terms of human suffering and economic development.

10. Analysing the causes of the problem, a number of delegations mentioned the high rate of population growth. Others, while agreeing that the demographic factor could not be ignored in the context of the world food problem, tended to lay emphasis on the relatively slow growth of food production. Some representatives stressed that the developing countries should give consideration to population control measures and that developed countries should assist in providing migration outlets for developing countries.

11. There was general agreement that developing countries should, in the formulation of balanced and integrated plans, pay special attention to the requirements of the agricultural sector, taking into account the urgency of the world food problem and the important role of this sector in over-all development.

12. Many representatives emphasized the importance of incentives for the expansion of food production. They stressed the need for land reform and for modernization of the structures and systems of land tenure and land use. Some referred to the need for reconsideration of price policies with due regard to the interests of both food producers and food consumers. They also mentioned the value of diversification from crops in over-supply to basic foods and commodities with good demand prospects.

13. Some representatives expressed the view that agricultural protectionism in the developed market-economy countries lay at the root of the food problem. They stated that high protective walls severely limited market outlets in developed countries, depressed prices and acted as a disincentive in a number of developing countries. According to this view, the improvement in conditions of market access and in the terms of trade of developing countries ranked high in the order of priorities, if food production was to be stimulated. Some other representatives pointed out the contradiction between the need to expand food aid from developed countries and the desire expressed by certain representatives that the developed countries at present providing important aid should reduce their agricultural production. Moreover, they felt that the solution of the world food problem should not be related to the agricultural policies of individual countries or groups of countries.

14. There was general agreement that food production could be substantially increased in developing countries by the improvement of infra-structure, including transport, marketing, storage, distribution facilities, and research and extension services. There was a consensus on the need to stimulate the provision and utilization of fertilizers, pesticides, improved seeds and agricultural equipment and machinery. Some representatives emphasized the key role of agricultural credit and the need to develop more effectively water resources and irrigation facilities in developing countries. Stress was also laid on the development of human resources so as to ensure the effective utilization of material resources.

15. Many representatives expressed the view that developing countries should pay special attention to the establishment of agro-allied industries, including those supplying the agricultural sector with fertilizers and pesticides as well as those processing agricultural output. Some stressed the need for the balanced growth of the agricultural and non-agricultural sectors of the developing economies.

16. Most representatives agreed that the responsibility for increasing food production lay primarily with the developing countries themselves. They stressed, however, the need for technical and financial assistance from developed countries and international institutions if developing countries were to succeed in solving the food problem.

17. Aid to agriculture was referred to in most statements. A number of representatives stated that developed countries should provide more assistance — technical and financial — to developing countries in their efforts to modernize the agricultural sector, and should include in their aid programmes provisions for increasing the supply of agricultural requisites of agro-allied industries in developing countries. Some representatives underlined

the importance of gradual adjustment in the production and trade policies followed in developed countries.

18. The debate on food aid reflected a large measure of agreement. Most delegations agreed that food aid played an important role in mitigating the food problem of the principal food-deficit countries. They stressed the need for the continuation of food aid on a multilateral as well as a bilateral basis to serve as capital for economic development and to meet emergency and chronic food shortages. Many delegates stressed that multilateral food assistance programmes should consider the purchase of food-stuffs from food-exporting developing countries. It was agreed that food aid could only be a temporary measure and that the long-term solution lay in the expansion of food production in the food-deficit countries. Some delegations stressed the need for ensuring that food aid did not have an adverse effect on food production in the recipient countries, nor on normal commercial operations, in particular in developing countries. Other delegations expressed the view that the proportion of cash contribution to multilateral assistance food programmes should be substantially increased so that purchases of food-stuffs could be made from food-exporting developing countries. It was also pointed out by one delegation that such cash contributions should also be used for purchasing agricultural requisites, such as fertilizers, from developing countries whenever feasible and economic. Another representative stressed that purchases within the framework of multilateral food assistance programmes should be made from the most efficient sources. Mention was made of the desirability of considering the inclusion in commodity agreements of provisions for food aid.

19. Some representatives expressed the view that food aid should be a responsibility shared among developed countries, both importers and exporters of food. They referred to the Food Aid Convention of the International Grains Arrangement, 1967, as an example of the principle of international responsibility for food aid.

20. The representatives of some developing and developed countries stated that their countries had the capacity to produce efficiently larger exportable food surpluses which could be made available for aid purposes under suitable international financing arrangements. They pointed out that food-deficit countries should not aim at self-sufficiency in food production except when economic conditions justified such policies. They also emphasized that food aid programmes should not disrupt normal commercial markets.

21. Many representatives stressed the need for building up national emergency reserves of food grains to meet exceptional situations arising from crop failures, prolonged droughts and other natural calamities. In their view developed countries and international organizations should assist developing countries in building up such emergency reserves.

22. Some representatives expressed the view that food aid should be given on a grant basis or at least provided on terms which take into account the capacity of the recipient countries to make repayment.

23. The need for the expansion of multilateral food aid and its canalization through the World Food Programme was alluded to in many statements.

24. At the conclusion of the general debate on the subject, the Working Group decided to entrust a small group with the task of preparing recommendations in the form of a resolution, a declaration or any other appropriate form. It was left to the Chairman to decide the composition of the group. After consultations with delegations, the Chairman nominated Argentina, Chile, Holy See, India, Madagascar, Netherlands, Pakistan, United Arab Republic, United States of America, Union of Soviet Socialist Republics and Yugoslavia, as members of the Drafting Group. However, the Chairman made it clear that any member of the Working Group who so wished had the right to attend the meetings of the Drafting Group and take part in its deliberations. Some non-members of the Drafting Group participated and made a contribution to its work.

25. On 11 March a draft text on the world food problem was submitted to the Working Group by the Drafting Group. A discussion of the draft took place in the Working Group, which agreed that it should take the form of a declaration. With the exception of the words "on an equitable basis" in operative paragraph 1 (d) of the part relating to the provision of food aid by developed countries, and the operative part relating to access to the markets of developed countries, there was unanimous agreement on the text of the declaration. As to market access, two alternative proposals formed part of the text submitted to the Working Group by the Drafting Group. At the last meeting of the Working Group devoted to the world food problem, two further proposals on the subject were submitted. There was some discussion within the Group whether proposals introduced at such a late stage of the proceedings should be included in the declaration. The decision on this matter was left to the Chairman. Although recognizing the relevance of the objections to their inclusion, the Chairman decided, in order to present as objectively and completely as possible the different positions taken, to include in the declaration these two last proposals also.

26. The draft declaration, as finally adopted by the Working Group, is reproduced in the appendix to the present report. The parts on which there was no consensus are shown within square brackets.

Chapter II

Transfer of technology, including know-how and patents

(Agenda item 9 (h))

27. At the outset of the discussion on this item, the representative of the United Nations Department of Economic and Social Affairs made a statement on the activities of the Department carried out under the priority programme formulated by the United Nations Advisory Committee on the Application of Science and Technology to Development pursuant to recommendation A.IV.26¹

¹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 57.

of the first session of the United Nations Trade and Development and the relevant General Assembly Conference on resolutions. This programme highlighted the problems related to the terms and effectiveness of acquiring foreign technology, measures for reducing the costs of such transfer, means for expanding domestic research capacity, and the strengthening of the requisite international and national institutional structures.

28. There was general agreement on the importance to developing countries of acquiring suitable foreign technology under conditions acceptable to all parties concerned. It was also generally recognized that the transfer of technology should be supplemented by a strengthening of related research and development activity in developing countries as a basis both for adapting foreign, and for promoting indigenous, technology.

29. Representatives of some developing countries expressed their serious concern at the growing technological gap between developed and developing countries. They pointed to the considerable volume of expenditure on research and development in the major industrial countries of the world, including expenditure on space research and defence which directly or indirectly gave a strong impetus to technical innovation. The implications of modern technology in relation to the size of plant in developing countries and the need to adapt this technology to conditions prevailing in these countries was stressed. It was also suggested that in acquiring foreign technology developing countries should apply a selective approach. Representatives of some developing countries complained that the excessive cost of acquiring foreign technology and the terms of payment often put an undue burden on their balance of payments. It was further pointed out that with the formation of multinational corporations the transfer of technology tended to become a matter of inter-company organization, which raised issues involving the national policies of developing countries.

30. Representatives of some developed market-economy countries pointed out that their Governments had no power to control the arrangements between private enterprises in their countries and enterprises in foreign countries, and considered these arrangements to be a matter for commercial judgement. However, they assisted developing countries in various ways, such as by finding for enterprises in those countries suitable partners in developed countries, and they helped the advance of technology in developing countries by measures such as technical assistance, training programmes and financing capital projects involving a high degree of technology. They suggested that it was necessary to look not only at the direct balance-of-payments cost to developing countries of the transfer of technology, but also at the wider benefits that would accrue. The representative of one developed market-economy country suggested that, judging from his country's experience of industrialization, the problem was not confined to that of transferring technology on terms which took into account, on the one hand, the necessity to reward inventors and encourage expenditure on research, and, on the other hand, the limited capacity of developing countries to pay for the technology they wished to acquire. It was equally important that the proper environment should be created in the developing countries to enable

them to absorb new technology, for which purpose particular emphasis should be placed on the education and training of technicians and scientists in this field. In his view, co-operation with the private sector in developed countries was essential, and therefore the benefit from the results of strenuous research efforts and of expenditure on research and development should be duly protected.

31. The representative of a socialist country of Eastern Europe, while expressing his support of the Charter of Algiers (TD/38) with respect to the transfer of technology, stressed the need for international action to reduce the obstacles to such transfer to developing countries as well as the important role which international scientific and technical co-operation could play in the technological progress of those countries.

32. Representatives of a number of developing countries considered that the legislative and other procedures for transferring patented technology were unnecessarily cumbersome and were based on antiquated laws which were often inappropriate to modern conditions of production. In this connexion several representatives noted the work of the United Nations and of the International Union for the Protection of Industrial Property in seeking to improve the legislative framework in the industrial property field.

33. The proposal of the United Nations Advisory Committee on the Application of Science and Technology to Development that technology transfer centres should be established was generally welcomed by the developing countries.² Representatives of some developing countries felt that since activities connected with science and technology were distributed among a number of United Nations bodies and other inter-governmental and non-governmental organizations, there was need for an inter-governmental body responsible for an over-all consideration of the application of science and technology to development. One of these representatives considered that a special United Nations agency for technology should be established, possibly under the auspices of the United Nations Industrial Development Organization (UNIDO), while representatives of other developing countries thought that the subject could receive proper attention only if an international conference were convened. It was suggested by the representative of yet another developing country that an UNCTAD study group should be established to review the work of the different agencies and make concrete proposals for joint action within a specified period. Representatives of developed market-economy countries doubted whether new institutional machinery was necessary, since at best it would serve only as a clearing house; moreover it would encourage the duplication of activities and would give rise to further dilution of the small body of experts in this field. They also questioned the value of a special conference. One of these representatives stated that the results of the programme of pilot and other studies in progress in the United Nations Secretariat in

² See Advisory Committee on the Application of Science and Technology to Development, third report, May 1966, *Official Records of the Economic and Social Council, Forty-first session, Supplement No. 12*, paras. 99-109.

response to General Assembly resolution 2091 (XX) of 20 December 1965 should first be assessed before further action was contemplated.

34. The representative of UNESCO gave an account of the activities of that organization in the dissemination of scientific and educational documentation and the supply of equipment. He also emphasized the importance of training technical and scientific personnel.³ The representative of the International Union for the Protection of Industrial Property outlined the technical assistance programme of that organization and referred specifically to the model laws on patents and trademarks drawn up by the Union in response to paragraph 3 of recommendation A.IV.26 of the first session of the Conference. In particular, he stressed the necessity for developing countries to establish or modernize their patent laws in their own interest to obtain the benefits of the patent system as an aid to the transfer of technology.

35. The representative of the International Chamber of Commerce, speaking in connexion with the reference made by one delegate to multinational corporations in the context of the transfer of technology and know-how, stated that that organization had commissioned a study of the question. She referred to chapter IV of the document appended to TD/NGO/1.

36. At the closing meeting of the Working Group a draft resolution on the transfer of technology (TD/II/WG.1/L.4/Rev.1) was submitted by Brazil, Chile, India and Pakistan. The representative of Chile, introducing the draft resolution, emphasized that UNCTAD, being the central United Nations body for all matters related to the economic development of developing countries, had an important role to play also in the field of transfer of technology. While recognizing that in fulfilment of this role close co-operation had to be maintained with other international organizations active in this field, he suggested that the Trade and Development Board should consider establishing a committee on science and technology. The representative of one developed market economy country said that, in his view, further progress in the field of transfer of technology could be best achieved not by the establishment of any new committee but by a step-by-step approach through existing organizations.

37. Because there was not sufficient time to consider the draft resolution, the Working Group agreed to submit it to the Conference for such action as the latter might deem appropriate. The text of the draft resolution is reproduced in the appendix to this report.

APPENDIX

Draft declaration and draft resolution submitted to Working Group I

1. DRAFT DECLARATION ON THE WORLD FOOD PROBLEM

The United Nations Conference on Trade and Development at its second session, held at New Delhi from 1 February to 29 March 1968, having studied the world food problem,

³ See report "International trade in educational and scientific materials", submitted by the Director-General of UNESCO (TD/47).

States that:

1. Half of mankind is undernourished or badly fed, because the world production of energy-giving and protective foods is insufficient to satisfy nutritional requirements. The millions of people suffering from hunger and malnutrition live in developing countries;

2. In nearly all the developing countries, a backward agricultural sector has in recent years been unable to increase food output fast enough to match the increase in the demand for food resulting from population growth and rising incomes. For this reason, these countries are obliged, even for maintaining present low levels of nutrition, to import food in ever-increasing amounts, to the detriment of their capacity to import capital goods essential for accelerating their economic development;

3. The food surpluses in developed countries which have hitherto been used to cover emergency world shortages have been substantially reduced, and the surplus of cereals has practically disappeared;

4. In most developing countries there exists at the same time a deep social and human problem which arises, like the world food problem, from the insufficient dynamism of the agricultural sector — namely, the chronic under-employment and the low incomes of the rural population. The level of living of the rural population which constitutes the vast majority of the total population in these countries is incompatible with human dignity and the rural population is unable to participate actively enough in the common endeavour to overcome underdevelopment;

5. Some favourable developments have taken place recently with regard to these problems. Some developing countries are making promising progress in increasing their agricultural production and improving the productivity of the agricultural sector, through substantial national efforts in matters of investment, improved technology and structural reforms, supported in some cases by more active international co-operation. Moreover, in recent years the conscience of the world has been alerted to the dangers and urgency of the world food problem, particularly through the Freedom from Hunger Campaign of the Food and Agriculture Organization of the United Nations (FAO);

Recognizes that:

1. The persistence of these problems constitutes one of the major obstacles to social and economic development. Hence the solution to these problems is the joint responsibility of the whole international community. The primary responsibility rests with the developing countries themselves, which must increase their food production as the basic and permanent means of satisfying their needs. They must also raise the level of living of the rural populations. The developed countries should co-operate fully in these efforts of the developing countries;

2. The rapid development of agriculture, which is indispensable not only for producing food, producing raw materials for some industries and providing employment but also, in the case of exporting countries, as a means of earning foreign exchange, is an essential part of general economic and social development. Agricultural and industrial development are interdependent. This interdependence calls for the balanced and integrated growth of the various sectors of the economy, coupled with a dynamic policy of social justice and betterment of the living conditions of humanity;

3. Effective action to overcome the world food problem and to modernize rural life in developing countries should consequently be conceived in the framework of a universal endeavour dedicated to the fullest and most effective use of all human, scientific and natural resources to ensure a faster rate of economic growth and parallel social progress;

4. The ultimate solution of the world food problem requires a series of convergent measures some of which would have immediate effects and others long-term results. Over-all measures should be directed to increasing food production through actions of institutional, technical, social and economic character; to the improvement of marketing at both national and international levels; to the devel-

opment of agro-industries and to the consideration of the dynamics of population. The adoption of measures to increase supplies, including food aid, to meet shortages and the application of improved techniques will continue to be required to alleviate the situation in the short-term. Action should be taken urgently on measures having both immediate and long-term effects;

Affirms that:

1. The United Nations, with its subsidiary organs, the specialized agencies, the World Food Programme and the international financial institutions have important responsibilities in the solution of the world food problem;

2. The FAO has a crucial role as the international agency entrusted with the task of raising levels of nutrition and the standards of living of rural people and securing improvements in the efficiency of production and distribution of all food and agricultural products. Present trends in FAO and the regional and international banks toward the planning and execution of practical programmes and integrated projects leading to international and national investment should be supported and encouraged by member States;

3. The integrated approach to the world food problem calls for the fullest co-operation and co-ordination among the international organizations concerned, and for the utilization, as appropriate, of the opportunities provided by bilateral programmes and those of certain private foundations;

Notes with approval the assistance already extended by the international organizations concerned and certain major undertakings including, *inter alia*:

(a) The elaboration of plans for the Second United Nations Development Decade 1970-1980;

(b) The FAO Indicative World Plan for Agricultural Development;

(c) The Inter-Agency Study on Multilateral Food Aid initiated under General Assembly resolution 2096 (XX) of 20 December 1965;

(d) Efforts to expand multilateral food aid under the World Food Programme;

(e) The Food Aid Convention of the International Grains Arrangement, 1967, and similar possibilities of mobilizing through international arrangements for other commodities, the capacity of both developing and developed countries to produce supplies for food aid purposes;

(f) The Agricultural Development Fund of the Asian Development Bank;

Therefore urges:

Developing countries

1. To pay special attention, in the formulation of balanced and integrated plans, to the requirements of the agricultural sector taking account of the food situation and of the important role of this sector in over-all development and to remove such impediments to increased agricultural production as arise from agrarian and credit structures, inherited from the past, to carry out, wherever appropriate, reforms in the systems of land tenure, land and water use and credit and to modernize administrative institutions;

2. To plan agricultural production in the interest of balanced economic development taking into account current and potential requirements;

3. To lay emphasis on the development of human resources and to this effect, among other measures, to adopt programmes of mass education in the rural areas, technical training and community development, to ensure an active participation by the farmers in the common tasks to increase their income and their standard of living and to ensure the enjoyment of their political, social, economic and cultural rights;

4. To promote the establishment and expansion of co-operative organizations as effective instruments for a better development of production and marketing of food-stuffs;

5. To strengthen measures for improving the availability of key agricultural requisites, including fertilizers, improved seeds, pesticides, improved agricultural machinery and implements, and to provide adequate advisory and extension services and institutions for training and research with due attention to the adaptation of methods and techniques to local conditions;

6. To promote the establishment of agro-industries, especially those supplying the agricultural sector with fertilizers, pesticides and agricultural machinery and equipment;

7. To improve transport, marketing, storage and distribution facilities;

8. To pay special attention, where necessary, for increased water supply including ground-water exploitation;

9. To intensify their efforts to make better use of the resources of the sea and of the fishery resources of both sea and river for human food-stuffs, through, among other measures, the application of modern technology in small fishery industries and the technical training of fishermen;

10. To promote adequate pricing policies which take into account the need to attain the maximum degree of production as well as appropriate levels of efficiency;

11. To promote national reserves of food-grains for stabilization of consumer prices and meeting emergencies;

12. To increase their efforts to conclude agreements on complementary food production within the existing regional and sub-regional integration schemes and other regional and sub-regional agreements in conformity with national development programmes;

13. To consider the effects of the problems created by the dynamics of population on food requirements and take appropriate measures;

14. To encourage foreign private investments and the inflow of private capital for the above-mentioned purposes, in accordance with their national development plans;

Developed countries

1. Within the framework of their respective global aid programmes,

(a) To continue and to strengthen their aid to developing countries making efforts to increase food production and modernize the agricultural sector and for this purpose to give more emphasis, in response to requests of these developing countries, to increasing the assistance by providing agricultural requisites especially fertilizers, pesticides, improved seeds, agricultural machinery and implements;

(b) To lay also equal emphasis on aid intended for the establishment of agro-industries for the manufactures of fertilizers, pesticides, agricultural machinery and water development equipment and to promote, for the same purpose, private investment if it is in accordance with national development plans of developing countries;

(c) To continue and to strengthen the necessary technical assistance through bilateral and multilateral channels including such assistance as would improve the quality of human resources which are crucial to economic growth;

(d) To provide food aid [on an equitable basis] as an interim measure of assistance to food-deficit countries, in such a way as not to affect the productive capacity of the recipient countries and, to the greatest practicable extent, in accordance with the FAO Principles of Surplus Disposal.^a This food aid should also assist the food-deficit countries in building up emergency reserves replenishable from time to time for short-term needs. In the case of food-importing donor countries, however, due account should be taken of their special circumstances;

Food aid should be given on a grant basis or a loan basis on as generous terms as circumstances permit;

^a *The Disposal of Agricultural Surpluses — Principles recommended by FAO* (FAO, Rome, 1963).

Food aid should not provide undue incentives for an increased production in developed countries;

Food aid should mobilize, where appropriate through international arrangements, the capacity of developing countries to produce food supplies for food aid purposes;

Any increase in cash contributions to multilateral food aid programmes should be used, where practicable, for the purchase on economic terms of food from the developing countries;

2. *Alternative one* (submitted by Yugoslavia)

[To refrain from stimulating uneconomic domestic food production, increasing self-sufficiency, restricting the access to markets for substitutable food items from developing countries, depressing the prices and decreasing the volume of food exports from developing countries, diminishing the remuneration of producers in the developing countries and thus acting as a disincentive for technological improvements and increasing production of food in developing countries;]

Alternative two (submitted by Australia, Netherlands, United Kingdom of Great Britain and Northern Ireland and United States of America)

[To seek ways of reducing barriers to trade and consumption affecting the exports of developing countries;]

Alternative three (submitted by Netherlands and United States of America)

[To carry out the measures recommended by the Conference in other sections of its Final Act with respect to increased access to markets in developed countries;]

Alternative four^b (submitted by France)

[No reference to access to be made in the declaration]

The international organizations concerned

1. To intensify their co-operation with the developing and developed countries in their joint efforts to solve the world food problem, support and, within the limits of their resources and constitutional responsibilities, carry out an effective assistance to developing countries;

2. To take into account in so doing, among other considerations, the need for a co-ordinated global approach to action on the world food problem including development on the agricultural sector and trade in agricultural products, as a guide to developing and developed countries and international agencies in the formulation and implementation of their plans, policies and programmes;

3. In adapting their structure, strategy and programmes to the changing situation and global efforts, to concentrate their activities and, in so far as their particular character permits, place greater emphasis on operational aspects, decentralize their services and strengthen their work in the field;

4. In financing agricultural development programmes and projects by international agencies, to give appropriate emphasis to the importance of providing, in response to requests, sizable amounts of agricultural requisites as an essential element in their assistance.

2. DRAFT RESOLUTION ON TRANSFER OF TECHNOLOGY,
INCLUDING KNOW-HOW AND PATENTS

Draft resolution submitted by Brazil, Chile, India and Pakistan
(TD/II/WG.I/L.4/Rev.1)

The United Nations Conference on Trade and Development,

Reaffirming the recommendations contained in Annex A.IV.26^c to the Final Act adopted at its first session,

^b In the course of the discussion, all the four alternative texts were supported by delegations other than those sponsoring them.

^c See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 57.

Taking note with satisfaction of General Assembly resolutions 2082 (XX) of 20 December 1965 and 2138 (XXII) of 15 December 1967, endorsing the objectives of the world plan of action proposed by the Advisory Committee for the Application of Science and Technology to Development in its third report,^d

Considering the related recommendations embodied in General Assembly resolution 2091 (XX) of 20 December 1965 and Economic and Social Council resolution 1201 (XLII) of 26 May 1967 on the transfer of technology to developing countries,

Taking note of the report by the United Nations Department of Economic and Social Affairs^e on progress in giving effect to these resolutions,

Taking note further of the study on "The transfer of technology to developing countries, with special reference to licensing and know-how agreements",^f prepared by a team of consultants at the request of the Secretary-General of UNCTAD,

Considering the role which patented and non-patented technological and managerial know-how can play in the social and economic development of developing countries,

Emphasizing the importance of international co-operation in the economic, scientific and technical fields in furthering technological progress in developing countries,

Recognizing the vital importance to developing countries of securing effective access to appropriate technology and of developing their own research and inventive capacity on a scale sufficient to permit these countries to participate fully in the process of creating modern technology,

Recognizing also the growing strain on the balance of payments of developing countries caused by payments for patented and non-patented technical know-how,

Recognizing further that every country has the right to exploit all forms of technology in the interest of the social and economic development of its people,

Recommends that:

I

The Trade and Development Board consider establishing a Committee on Science and Technology with the functions specified hereunder:

(a) To consider and devise ways and means by which technology and know-how can be transferred on reasonable terms from developed to developing countries;

(b) To consider the adaptation of both technology and know-how to the development needs of developing countries;

(c) To assist in the promotion of indigenous technology and know-how in developing countries through the strengthening of their research and development activities;

(d) To promote the collection and exchange of information and experience on existing and new developments in science and technology;

(e) To study the effects of existing international legislation for the protection of industrial property on the economic development of developing countries;

(f) To co-operate with other United Nations bodies and inter-governmental and non-governmental organizations in the promotion and application of science and technology to development.

II

The Committee on Science and Technology mentioned above should, in the exercise of its functions, keep under continuous review the implementation of the following recommendations:

^d See *Official Records of the Economic and Social Council, Forty-first session, Supplement No. 12*, paras. 12-17.

^e Document TD/37 and Corr.1.

^f Documents TD/28 and TD/28/Supp.1 and Supp.1/Corr.1.

A. *Developed countries* should encourage and assist the holders of patented and non-patented technology:

(a) To facilitate the transfer to developing countries of technology, both patented and non-patented, including new technology, on reasonable terms;

(b) To facilitate the outright purchase by developing countries of technology appropriate to the needs of their countries;

(c) To refrain from imposing in the transfer agreements any undue restrictions on exports by the developing countries of the resultant products;

(d) To refrain from imposing such conditions on the supply of plant and machinery and on the transfer of technical processes as would retard the development of indigenous manufacture and technology;

B. In accordance with the recommendations of the United Nations Advisory Committee on the Application of Science and Technology to Development, *the United Nations and its specialized agencies* should provide to the developing countries assistance in:

(a) Setting up expeditiously "technology transfer centres" on a national and regional basis;

(b) Drawing up model agreements for the transfer of technology;

(c) Acquiring the latest technology in such areas of critical social and economic importance as food, agriculture and public health;

(d) Acquiring and developing the peaceful application of nuclear energy in such fields as power generation, water desalination, civil engineering projects and exploration of minerals, gas and petroleum resources;

C. *The Advisory Committee on the Application of Science and Technology to Development* should expedite the completion of the

pilot case studies in progress on arrangements between enterprises (public and private) for the transfer of technology to the developing countries;

D. *Developing countries*, with the assistance, as appropriate, of the developed countries and the United Nations and its specialized agencies, should:

(a) Set up appropriate national and regional centres for providing guidance on the technology most suited to the needs of their enterprises;

(b) Whenever possible, purchase technology outright so as to ensure its availability to their enterprises;

(c) Jointly investigate and explore possibilities of outright purchase or licensing of imported technology and patented know-how for the common needs of their industrial development on a suitable participation basis;

(d) Associate their scientists and technologists from the earliest stages in the process of transfer of technology, so that technology is absorbed within indigenous research and development and utilized in the most efficient and economic manner;

(e) Exchange scientific and technical information and assist in the transfer *inter se* of tried-out indigenous technology;

III

The United Nations Development Programme should give its full support to:

(a) Pre-investment activities concerning the transfer of technology as enumerated above; and

(b) Technical assistance on specific requests from the Governments of the developing countries.

G. REPORT OF WORKING GROUP II

CONTENTS

	Paragraph	Page
<i>Introduction</i>	1-8	359
PART ONE. TRADE EXPANSION AND ECONOMIC INTEGRATION AMONG DEVELOPING COUNTRIES, MEASURES TO BE TAKEN BY DEVELOPING AND DEVELOPED COUNTRIES, INCLUDING REGIONAL, SUB-REGIONAL AND INTERREGIONAL ARRANGEMENTS (Agenda item 14)		
<i>Chapter I.</i> Review of progress made and problems encountered in regard to trade expansion and integration among the developing countries, including intended future action	9-27	360
<i>Chapter II.</i> International support action.	28-45	363
(a) Commerical support action	29-31	363
(b) Financial support action	32-40	363
(c) Technical support action	41-45	365
<i>Chapter III.</i> Institutional arrangements.	46-54	365
<i>Chapter IV.</i> Concerted declaration on trade expansion, economic co-operation and regional integration among developing countries: results of informal consultations	55	366
PART TWO. SPECIAL MEASURES TO BE TAKEN IN FAVOUR OF THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES AIMED AT EXPANDING THEIR TRADE AND IMPROVING THEIR ECONOMIC AND SOCIAL DEVELOPMENT (Agenda item 15)		
<i>Chapter I.</i> Review of the problem of the least developed among the developing countries and special measures to be taken in their favour	56-75	367
<i>Chapter II.</i> Identification of the least developed among the developing countries	76-83	370

APPENDICES

I. Draft text of a concerted declaration on trade expansion, economic co-operation and regional integration among developing countries submitted by the Chairman of Working Group II	370
II. Final paragraph of a draft Statement of Intent by the developing countries	372
III. Draft declaration of support by developed market-economy countries on trade expansion and regional economic co-operation among developing countries	373
IV. Declaration of support by socialist countries on the question of trade expansion and economic co-operation among developing countries	373
V. Texts of drafts relating to agenda item 15 considered by Working Group II	374

NOTE. The check list of documents prepared for and during the deliberations of Working Group II appears in annex X to the report of the Conference.

Introduction

1. At its 58th plenary meeting on 14 February 1968, the second session of the United Nations Conference on Trade and Development established Working Group II to consider and report on agenda items 14 and 15. Item 14 reads as follows: "Trade expansion and economic integration among developing countries, measures to be taken by developing and developed countries, including regional, sub-regional and inter-regional arrangements." Item 15 reads as follows: "Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development."

2. At its 62nd plenary meeting on 16 February, the Conference designated the following countries as members of the Working Group: Afghanistan,¹ Algeria, Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Bulgaria, Burma, Burundi, Ceylon, Chad, Chile, Colombia, Congo (Democratic Republic of), Czechoslovakia, Denmark, Federal Republic of Germany, Finland, France, Greece, Guatemala, Hungary, India, Iran, Iraq, Ivory Coast, Japan, Liberia, Madagascar, Malaysia, Mexico, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Philippines, Poland, Republic of Korea,² Romania, Spain,

¹ Participating in deliberations on agenda item 15.

² Participating in deliberations on agenda item 14.

Sweden, Switzerland, Syria, Tunisia, Turkey, Uganda, Union of Soviet Socialist Republics, United Arab Republic, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Uruguay, Venezuela. It was agreed that any representative of any State member of UNCTAD interested in the Working Group's deliberations would be free to participate in its proceedings.

3. At its first meeting on 23 February, the Working Group elected Mr. M. H. A. Onitiri (Nigeria) as its Chairman, Mr. R. Navaratnam (Malaysia) as Vice Chairman and Mr. D. Laloux (Belgium), Rapporteur.

4. The Working Group held twenty-one meetings from 23 February to 19 March 1968.

5. After some discussion concerning the order in which the Working Group might consider the two items and the various topics falling within the scope of these items, it was agreed on the suggestion of the Chairman to take up item 14 first with the following order of business.

(1) Review of progress made and problems encountered in regard to trade expansion and integration among the developing countries, including intended future action;

(2) International support action;

(a) Commercial support;

(b) Financial support, including payments arrangements;

(c) Technical assistance;

(3) Institutional arrangements.

6. The Working Group considered its draft report at its 17th to 21st meetings. At its 19th meeting it adopted part one of the draft report, containing chapters I-III dealing with agenda item 14. At its 21st meeting it adopted part

two of the draft report. Since the informal consultations regarding a draft declaration on agenda item 14 had not been completed at the time the Working Group had to terminate its work, it was agreed that the outcome of these consultations should be transmitted to the plenary. An account of these consultations, prepared by the Rapporteur, is reproduced in chapter IV of part one.

7. The representatives of the Executive Secretaries of the Economic Commission for Africa, of the Economic Commission for Asia and the Far East and of the Economic Commission for Latin America participated in the work of the Group. The representatives of the International Bank for Reconstruction and Development (IBRD), the International Monetary Fund (IMF) and of the General Agreement on Tariffs and Trade (GATT) also participated. The following inter-governmental bodies attended the meetings of the Working Group: African and Malagasy Common Services Organization, Council for Mutual Economic Assistance, European Economic Community, Inter-American Development Bank, International Union for the Protection of Industrial Property, Organization for Economic Co-operation and Development, Permanent Consultative Committee of the Maghreb, Permanent Secretariat of the General Treaty on Central American Economic Integration. The International Confederation of Free Trade Unions, a non-governmental organization admitted as an observer under rule 81 of the rules of procedure of the Conference, also took part in the Working Group's debates.

8. Representatives of the following inter-governmental bodies, invited by the Conference at its 41st plenary meeting to take part in the discussions on agenda item 14, were present at the meetings of the Working Group: African Development Bank, Asian Development Bank, East African Community.

PART ONE. TRADE EXPANSION AND ECONOMIC INTEGRATION AMONG DEVELOPING COUNTRIES, MEASURES TO BE TAKEN BY DEVELOPING AND DEVELOPED COUNTRIES, INCLUDING REGIONAL, SUB-REGIONAL AND INTERREGIONAL ARRANGEMENTS

(Agenda item 14)

Chapter I

Review of progress made and problems encountered in regard to trade expansion and integration among the developing countries, including intended future action

9. The discussion of item 14 in the Working Group was introduced by a statement by the representative of the Secretary-General of UNCTAD (TD/II/WG.II/L.3). In the light of the discussions which had taken place on the subject during the fifth session of the Trade and Development Board³ and of the documentation prepared by the secretariat, it was decided, after a preliminary exchange of views, first to review the progress made and problems

encountered in regard to trade expansion and economic integration among the developing countries, including intended future action.

10. The statements made reflected the consensus among the developing and the developed countries on the essential role which trade expansion and economic integration among developing countries could play in promoting their economic development. The potential for trade expansion among the developing countries was vast. Although it could not be a substitute for larger trade flows between them and the industrially developed countries, expansion of trade among the developing countries could contribute significantly to reducing the gap between the total imports needed for their accelerated growth and their total export earnings.

11. All speakers recognized that the expansion of trade among developing countries and their regional and sub-

³ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, chap. VII.

regional co-operation could effectively promote in appropriate cases their industrialization, bring about a more rational use of their scarce domestic and external resources and encourage specialization and more effective production within economic groupings. They also recognized the limitations imposed on growth by the typically small markets of most individual developing countries. The representatives of some of the developing countries whose size made them viable economic units stated their support of, and interest in, regional integration.

12. In that connexion, it was recognized by all that the increased competition to which the producers in developing countries would be exposed after trade liberalization on a regional basis would, in addition, enhance their competitive position in the markets of developed countries. In the opinion of some representatives, similar considerations would apply to trade liberalization on an interregional basis. Furthermore, it was recognized by both the developing countries and by some developed countries that through the formation of economic groupings the developing countries could strengthen their bargaining position in general and reduce their economic dependence vis-à-vis the developed world.

13. The debate disclosed the wide range of activities in the field of trade expansion and economic integration now being implemented in the developing regions of the world and the considerable progress made so far. The representative of one developed market-economy country, while congratulating the countries which had achieved success in that field, regretted that some developing countries in their statements had not been able to be more precise regarding their intended future action in that field. It was also pointed out by some other representatives of developed countries that, generally, the trade barriers of developing countries had increased during the last decade.

14. While stating the intentions of their countries to extend their own efforts to expand trade and economic co-operation among themselves, all the speakers from developing countries endorsed the appropriateness of a gradual approach in regard to such action. Most of the developed countries agreed with that view. This position emphasized the difficulties which the developing countries faced, and which frequently made only partial trade liberalization and modest forms of economic co-operation practicable.

15. Although the experience of the developed countries in the field of economic integration and trade expansion was recognized as capable of providing useful lessons to the developing countries, it was generally recognized that special problems tended to arise in the case of the developing countries and that the resulting difficulties were greater than those encountered by the developed countries.

16. In the course of the debate some of the chief problems identified by representatives of developing countries and which, in their view, justified special support by the international community were:

(a) The inadequacy of the physical and commercial infra-structure and the high transport costs in trade among the developing countries. In that connexion, representatives of regional development banks and of regional economic commissions, while stressing their readiness to

assist in carrying out surveys and feasibility studies, called for more expertise and financial support to be made available to regional inter-governmental bodies.

(b) The high protection of production activities resulting from the high rates of custom duty imposed for fiscal and protective reasons in developing countries and their preoccupation with the maintenance of existing levels of output and employment in the face of eventual trade liberalization because of current extensive under-employment and under-utilization of productive capacity. As a way out of that situation, some suggestions were made. The representative of one developing country called on developing countries to commit themselves, in the first instance, to a specific programme of trade liberalization involving an across-the-board tariff reduction on a comprehensive basis or on a product-by-product basis, which could later be extended to cover import controls. Certain other speakers supported the abolition of quantitative restrictions in trade among developing countries. Another representative of a developing country urged developing countries to grant without discrimination global quotas to products originating in other developing countries, such quotas to increase at a rate to be negotiated.

(c) The balance-of-payments difficulties which many developing countries were facing, and the need to cushion the possible negative effects on the balance-of-payments situation of some developing countries arising from implementation of trade liberalization programmes. In that connexion, a number of representatives of developing countries urged that international support be provided for the establishment of multi-national clearance or other forms of payment arrangements among members of regional groupings and for purposes of promoting interregional trade.

(d) The implications of preferential advantages enjoyed by some developed market-economy countries in the markets of some developing countries, which in the view of certain representatives placed even competitive exports of other developing countries at a comparative disadvantage. It was suggested by the representatives of some developing countries that these preferences should be eliminated altogether. According to one of them, they could first be extended by developing countries to other developing countries of the same region and subsequently to all other developing countries. The representative of another developing country stated that in the case of certain developing countries reverse preferences could be viewed as a counterpart of aid received and therefore asked whether other developed countries would be ready to provide a similar volume of aid to these countries without insisting on reciprocal benefits.

(e) The need to ensure that the less-advanced members of regional groupings should receive on a continuing basis an equitable share of the benefits of integration. It was noted that the problem would receive further attention in connexion with agenda item 15.

(f) The inadequacy of current levels of external participation in the capital of regional and sub-regional banks, particularly since the pre-financing and financing cost of multi-national projects were high.

(g) The differences in social and economic policies of members of some regional groupings and at times the

lack of political will also created difficult obstacles to economic integration. Furthermore, while integration implied an ever-closer co-ordination of the development decisions and objectives of member States, economic planning in most developing regions was still in fact embryonic and industrialization programmes of developing countries members of regional groupings were not drawn up within a regional perspective.

17. The representatives of a number of developing countries referred to the absence, for many of their exporters, of non-tariff facilities and advantages available to developed country exporters. On the one hand, developed countries were able to provide export credits and credit insurance on better terms and conditions in their trade with developing countries where traditional consumption patterns worked in their favour. On the other hand, domestic firms of developing countries often lacked the skill or the means to conduct vigorous export promotion campaigns, or were financially too weak to take advantage of a larger market.

18. The representatives of a number of developing countries also mentioned the urgent need for skilled and experienced personnel to be made available through bilateral or multi-national technical assistance and training programmes, particularly in the field of banking, tariff design and commercial policy.

19. The representatives of some developing countries, while emphasizing the importance of co-operation in the field of trade, marketing and in the joint defence of export interests in regard to certain primary commodities, pointed out the usefulness of extending co-operation to other fields, such as joint industrial ventures and jointly financed and jointly operated surface and air transport.

20. Although a large number of representatives recognized the need for a greater exchange of experience on integration and trade expansion between developing countries and for more information to be made available on the similar experience of groupings of developed market-economy and socialist countries, it was stressed by most of the speakers that it was for the developing countries themselves to decide on the approach best suited to their particular needs.

21. The representatives of all developed market-economy countries who spoke in the debate, while recognizing the efforts made by the developing countries in promoting trade and integration among themselves, stated that much remained to be done and that the initiatives should come from the developing countries themselves. A suggestion was made that in the period between the second and third sessions of the Conference efforts by the developing countries in this direction which would be economically beneficial should be strengthened. Indeed, such efforts would be in the interest of the developing countries, even if shortages of transferable resources should prevent them from receiving additional foreign aid. The representative of one developed market-economy country stated that efforts of the developing countries in the field of tariff reductions should aim, on the one hand, at a generally lower tariff barrier which would allow trade flows among these countries to expand and, on the other hand, at the consolidation of regional and sub-regional

co-operation, extending to the formation of free trade areas and customs unions.

22. While recognizing that trade expansion and economic integration among developing countries was an essential element in any global strategy of development, the representatives of some developed market-economy countries stated that it should not be carried out at the expense of third countries, but should contribute to an expansion of the world economy in general and of world trade in particular. Other representatives, including one from a socialist country of Eastern Europe, said that groupings of developing countries should not isolate themselves from the world markets but should be outward-looking in nature. Warnings were sounded by the representatives of some developed market-economy countries against the possible emergence of a haphazard pattern of discrimination among the developing countries. Some of them also stated that the smaller and weaker developing countries might find — as was the experience of small developed countries — that the maintenance of the most-favoured-nation clause in trade among the developing countries might provide them with a desirable safeguard. In this connexion the representative of a developing country requested the UNCTAD secretariat to draw up a code of conduct or procedure to forestall discriminatory practices in the course of implementing trade expansion schemes among developing countries.

23. There was a consensus among the developed countries that the joint efforts of the developing countries could more easily overcome the obstacles encountered by them in expanding trade and co-operation among themselves if they were supported bilaterally or through international institutions. They also recognized that that area provided an excellent opportunity for applying the concept of synchronized action.

24. The representatives of socialist countries of Eastern Europe who participated in the debate considered the expansion of trade and economic integration among the developing countries as a welcome trend and of great importance to their industrial development, particularly for the smaller ones among them. Progress in that field would contribute to an improvement in the international division of labour, particularly if it covered a wide set of co-operative measures, including the co-ordination of national plans and industrialization programmes, the establishment of jointly-owned enterprises, and the joint undertaking of large-scale infrastructural projects.

25. These representatives ascribed all the difficulties and obstacles holding back the progress of the developing countries in trade expansion and economic co-operation to structural problems inherited from the colonial period and to the discriminatory policy practised by closed economic groupings of developed market-economy countries. According to these representatives, the Conference should aid the developing countries in their efforts at co-operation by proclaiming the right of the newly independent developing countries to receive compensation for the economic damage they had suffered as colonies and to exercise control over the profits earned by foreign companies in their territories.

26. It was pointed out by the representative of one socialist country of Eastern Europe that the abolition of vertical preferential systems, and particularly of reverse preferences in the trade relations between developing and developed market-economy countries, would constitute a significant act in support of trade and co-operation efforts of developing countries. It was further urged that all economic groupings and particularly those of the developing countries should be open in character.

27. The view was advanced that the experience of economic co-operation within the framework of the Council for Mutual Economic Assistance could be instructive to the progress of economic co-operation among the developing countries because, *inter alia*, of the wide differences in the initial levels of development of its member countries.

Chapter II

International support action

28. The discussion of this item opened with a statement by the representative of the Secretary-General of UNCTAD (TD/II/WG.II/L.14). Under this heading the Working Group considered:

- (a) Commercial support action;
- (b) Financial support action;
- (c) Technical support action.

All the representatives of developed countries, and those of the developing countries and of international organizations who participated in the debate, were of the opinion that international co-operation would help the developing countries to overcome difficulties encountered by them in expanding their trade with each other and in trying to achieve integration. The representatives of the developed market-economy countries and of the socialist countries of Eastern Europe who participated in the debate, stated that their Governments were prepared to play an active role in assisting the establishment, on the basis of concrete proposals, of the necessary economic and structural conditions in the developing countries for the expansion of their trade with each other. The representatives of several developed market-economy countries emphasized their view that that could best be done within a regional framework. The representative of one developed market-economy country, speaking on behalf of all the countries in his group, submitted a document entitled "Declaration of support by developed market-economy countries on trade expansion and regional economic co-operation among developing countries" (TD/II/WG.II/L.10 and Corr.1), reaffirming the willingness of the Governments concerned to assist the developing countries in their efforts in that respect.

29. *Commercial support action.* Some representatives of developing and of developed market-economy countries said that a more flexible and more liberal interpretation of the most-favoured-nation principle was needed with regard to commercial support action. The representatives of many developing countries thought that preferential arrangements between developing countries should not necessarily be subject to the waiver procedures of the General Agreement on Tariffs and

Trade. In that connexion, they pointed out that in any case the legal aspect of the matter must be left for consideration and interpretation to the Contracting Parties to the General Agreement. The representatives of the developed market-economy countries stated that all arrangements concluded between developed countries, if they included any Contracting Parties to the General Agreement should be subject to examination in GATT and that, within the present framework of the General Agreement, all preferential arrangements not conforming with the provisions for free trade areas or customs unions would need to obtain a GATT waiver. They added, however, that their countries would give sympathetic consideration in GATT to arrangements between developing countries, and one representative pointed out that so far no application for a GATT waiver had yet been refused. The representative of one developed market-economy country expressed the view that the most-favoured-nation principle should be fully applicable only between countries at similar levels of development and with comparable economic systems. The representative of another developed market-economy country added that the application of the most-favoured-nation clause might provide desirable safeguards for the interests of those countries which were economically the weakest.

30. As to the question of preferential rights of developed countries in the markets of developing countries, many speakers from developing countries expressed the hope that developed countries would renounce preferential rights when developing countries had mutually beneficial agreements among themselves.

31. The representatives of some developed market-economy countries expressed the view that the UNCTAD/GATT International Trade Centre should give particular attention to efforts for sales promotion and market studies among developing countries, since only vigorous action in that field could make co-operation arrangements or trade agreements between these countries a living reality.

32. *Financial support action.* The representatives of the developed market-economy countries stated in general that their Governments were prepared, within the framework of their aid policies and programmes, to give financial support to regional or sub-regional schemes and projects, on the basis of concrete proposals put to them by developing countries. They also stressed the efforts which their Governments had already made or were planning in the financing of multilateral projects, particularly infrastructure projects.

33. The representatives of some developed market-economy countries pointed to the rising trend in the allocation of their countries' aid to developing countries in support of regional integration schemes and said that they expected a broadening of their support for new efforts in this field. Some of them stated that, in determining the content of their assistance programmes, their Governments would give, or were giving, priority to assistance to movements towards co-operation between developing countries. In that respect they emphasized the important role to be played by regional development banks in such assistance. Some of them said that in their countries' efforts to increase the volume of assistance to the level of 1 per cent of national income, a portion of that

assistance would be devoted to programmes for trade expansion and economic integration, on the basis of requests received from developing countries concerning specific schemes and projects.

34. In the debate, representatives of all developing countries stressed the link that existed between the scope of trade expansion and integration commitments and the availability of international assistance for solving these problems. They mentioned the following purposes as being particularly deserving of support: multi-national projects, particularly in infrastructure (great stress was laid on land and maritime transport), and also in productive activities, both as regards the financing of feasibility studies and as regards the investment itself; readaptation of existing industries in connexion with trade liberalization commitments; measures to ensure that the relatively less advanced countries of a grouping could benefit from the formation of wider markets; measures for ensuring that domestic enterprise and capital would share in the benefits resulting from the enlargement of markets, etc.

35. The representatives of the developing countries emphasized that the assistance specially granted by the developed countries to multilateral programmes should not reduce the volume of assistance provided for national programmes. They also stressed the importance of elaborating multilateral payments arrangements to deal with difficulties of temporary imbalances which might result from increases in trade due to the implementation of the trade liberalization commitments among the developing countries. These representatives cited the experience of the European Payments Union, which showed that there was a definite link between the adoption of more far-reaching trade liberalization commitments, on the one hand, and payments arrangements, with sufficient credit margins to enable the participating countries to deal with the inevitable problem of the temporary imbalances, on the other. They hoped, accordingly, that developed countries would make definite commitments to contribute towards the reserve funds for payments arrangements among developing countries. In that connexion, the representatives of some developing countries drew attention to the conclusions reached and recommendations made by the UNCTAD Group of Experts on the subject⁴ and particularly to the conclusion that contributions of developed countries to funds for facilitating credit arrangements would represent an efficient use of development finance and would promote more efficient use of other development finance. The representatives of some developed market-economy countries thought that payments agreements patterned on the lines of the European Payments Union might not necessarily suit the needs of groupings of developing countries because situations were different, especially in relation to patterns of trade and trade structures and that they would therefore need to be examined on a case-by-case basis. They pointed out that there were various possible formulae for co-operation with respect to payments arrangements and that the choice among them

should be made on the basis of the particular features of, and specific needs for, moves towards trade expansion, economic co-operation and integration within particular groups of developing countries.

36. Speaking on the same subject matter, the representatives of the developing countries expressed the hope that international financial and monetary agencies would adopt a more positive attitude towards certain types of payments agreements. In this connexion, they drew attention to the recommendations of the UNCTAD Group of Experts that "the IMF should take special account of the payments problems posed by trade expansion among developing countries, and should consider sympathetically... requests for increases in quotas that may be called for in the light of such trade expansion".⁵ The representative of IMF remarked that the Fund had already helped several member States in their integration efforts. He said that the developing countries which had undertaken trade liberalization programmes could turn to the Fund for a drawing right or a stand-by agreement in order to safeguard their reserve positions. He pointed out that it was generally recognized that one or two countries having persistent deficits could cause great difficulties in payments operations and that it was best to make price and cost adjustments before the establishment of a payments union. In situations where payments unions appeared impracticable, the Fund had recommended clearing arrangements, which were more flexible.

37. The representatives of some developing countries asked that the question of suppliers' credits and credit insurance should also be studied. In that connexion, the representative of a developed market-economy country referred to the suggestion, made at the first session of the United Nations Conference on Trade and Development, that the possibility of establishing a reinsurance agency for suppliers' or purchasers' credits, granted between developing countries should be examined. These credits could then be financed on normal terms by international financial markets.

38. The developing countries emphasized the need for the untying of aid in order to enable developing countries to increase their trade with each other. This idea was accepted by the representatives of some developed market-economy countries in the context of a collective effort in that direction.

39. The representatives of some developing countries mentioned the possibility of establishing, within the regional development banks, special funds to be used for clearly specified purposes, for example, for facilitating participation by relatively less advanced countries in integration projects. The representatives of some developed market-economy countries stated that their Governments already participated in the special fund which had been set up by one regional development bank. Some of them said that their countries were prepared to finance studies of investment possibilities and of the readjustment of existing industries in the new framework of integration.

40. Certain regional banking institutions stated that they had difficulties in obtaining access to capital markets,

⁴ See *Payments Arrangements among the Developing Countries for Trade Expansion* (United Nations publication, Sales No.: 67.II.D.6), chap. V.

⁵ *Ibid.*, para. 88.

as they were subject to the same treatment as private companies.

41. *Technical support action.* The representatives of the developed market-economy countries and those of some socialist countries of Eastern Europe and some representatives of the respective economic groupings who participated in the debate, declared that their Governments could help the developing countries in their efforts at integration, in particular through the exchange of information about the experiences of their countries in regard to regional co-operation and trade promotion, as well as by providing experts in these two fields.

42. The representatives of many developing countries stated that UNCTAD should establish and maintain, upon information received from member States and other interested bodies, a roster of names of experts who could in principle be drawn upon; in addition, they suggested that the UNCTAD secretariat should try to establish a small nucleus of highly qualified advisers on specific problems who, at the request of regional economic commissions and other interested bodies, could be put at their disposal expeditiously. Several of these representatives supported the idea of setting up a training centre for experts in trade expansion and integration techniques. They considered that the experts should not only receive technical training, but should also be trained as administrators. One of those representatives said that the experts need not necessarily come from the developed countries but that certain developing countries could also supply experts qualified in matters of integration. The representatives of some developed countries offered to supply names for a roster of experts which might be established by the UNCTAD secretariat to enable developing countries to deal with the various specific practical problems arising in the process of trade expansion and integration.

43. Referring to technical assistance of a multilateral character, the representatives of several developed market-economy countries stressed that UNCTAD should give substantive support to efforts undertaken in this field by the United Nations Development Programme (UNDP).

44. The representative of one developing country submitted, on behalf of the group of developing countries, a draft entitled "Elements for inclusion in a declaration by the second session of the United Nations Conference on Trade and Development with respect to trade expansion and economic integration among developing countries" (TD/II/WG.II/L.11).

45. The representative of one socialist country of Eastern Europe submitted on behalf of the group of socialist countries a draft entitled "Declaration of support of socialist countries on the question of trade expansion and economic co-operation among the developing countries" (TD/II/WG.II/L.13).

Chapter III

Institutional arrangements

46. The discussion of this item opened with a statement by the representative of the Secretary-General of UNCTAD (TD/II/WG.II/L.15) in which he mentioned

the various aspects of the question of institutional arrangements that might need consideration. It was generally recognized in the debate that UNCTAD had an important role to play in the field of trade expansion, economic co-operation and integration among developing countries.

47. The representatives of the developing countries supported the proposals of the Charter of Algiers with respect to UNCTAD's role in this field, in particular the creation of a permanent UNCTAD Committee to examine problems of common interest to countries in various regions and with terms of reference along the lines of those in the Charter (TD/38, part two, F). They requested that the Trade and Development Board, at its seventh session, should specify in greater detail the terms of reference of the permanent committee. Some of those representatives were of the opinion that the Conference should provide the Board with some guidance for its consideration of this question. The representatives of developing countries also stated that arrangements should be made to establish suitable mechanisms or procedures for the implementation of the recommendations of the Conference regarding this item and particularly of the declaration of support of developed countries that might be adopted.

48. A number of representatives of the developing countries stated that the terms of reference of the permanent committee should be drawn up very carefully and that the responsibilities and work of the regional economic commissions and other regional bodies must be taken into account to avoid interference with their efforts. They stated that while with respect to the problems of trade expansion among developing countries in general UNCTAD's role would be central, with respect to regional or sub-regional integration the role of UNCTAD should be equally important, although complementary, to that of the regional economic commissions. The representative of a socialist country of Eastern Europe stated that with respect to regional integration efforts, the proposed committee's role should be confined to their trade policy aspects. The representatives of some developing countries suggested that as far as the composition of the permanent committee was concerned, the participation of GATT, the regional economic commissions, other regional bodies and other interested international organizations should be considered.

49. It was pointed out by the representative of one developing country that the United Nations regional economic commissions, in particular the one concerned with his region, had initiated and launched many operational projects which had received the support of the developing countries in that region as well as of developed countries inside and outside the region. Those regional organizations should be encouraged to play an important role in economic co-operation. In this connexion, UNCTAD should review during its sessions the progress achieved in the field and the preparations for this review should be undertaken in collaboration with the regional commissions.

50. Some representatives of developed market-economy countries stated that a proliferation of new bodies should be avoided. Some other representatives of these countries stated that they had an open mind on the question of new bodies and that the need for new institutional

arrangements might be assessed more easily and usefully once it was known what functions UNCTAD could fulfil in that field and what other suggestions for new institutional arrangements might be made in the Conference. A representative of one developed country stated that UNCTAD should support and encourage developing countries in their efforts at co-operation. The representatives of the developed countries generally suggested that the Trade and Development Board should at its seventh session decide upon those matters; some of those representatives felt that the Conference might give the Board some guidance for consideration of this matter.

51. With respect to the multilateral trade negotiations which had been initiated by the developing countries Contracting Parties to the General Agreement on Tariffs and Trade, and in which non-members of GATT have been invited to participate, the representatives of the developing countries proposed that the Secretary-General of UNCTAD should undertake the necessary steps with the Director-General of GATT to arrange that the Trade Negotiations Committee concerned would operate within a joint GATT/UNCTAD framework and be serviced by both secretariats. Several representatives of developed market-economy countries stated in that respect that GATT should play the major role in such negotiations.

52. With respect to the role of the UNCTAD secretariat, the representatives of most developing countries and developed market-economy countries and the representative of one socialist country of Eastern Europe supported the idea that it should act as a clearing-house between the regions for the necessary exchange of information and evaluation of experience in questions of trade expansion, co-operation or integration in the different parts of the world. Many representatives of developing countries stated that the necessary basis for this activity should be created in the secretariat. A representative of a socialist country of Eastern Europe suggested that that could be done within the present budget of UNCTAD and without inflating its staff.

53. Several speakers from developing countries mentioned that the UNCTAD secretariat might also assist in seeking out the right kind of experts, if a particular organization or country wanted such assistance. The representatives of one developing and one developed country stated, however, that this was a task for UNDP. The representative of the developing country concerned suggested that such a roster to be drawn up by UNDP — the United Nations organization responsible for technical assistance — should be prepared in collaboration with UNCTAD, the United Nations Industrial Development Organization (UNIDO), the Food and Agriculture Organization of the United Nations (FAO), the regional economic commissions and other competent organizations. The representatives of the developing countries supported the proposal in the Charter of Algiers for establishing a centre, under the auspices of UNCTAD and other specialized agencies, to train experts in the field of trade expansion, economic co-operation and integration among developing countries. The representatives of some developing countries stressed the need for ensuring that Governments would have at their disposal both national staff and outside experts who were really qualified.

A number of representatives of developed market-economy countries, commenting on the above suggestions, said that they were difficult to evaluate in isolation and that they should be considered by the Trade and Development Board in the context of its elaboration of the future work programme of UNCTAD on this subject.

54. Towards the end of the Working Group's proceedings, its members conferred with each other with a view to working out the draft of a concerted declaration on trade expansion, economic co-operation and regional integration among developing countries. The informal consultations had not been completed at the time the Working Group had to terminate its work. It was decided to transmit the results of these consultations to the plenary in an appropriate form. They now appear as chapter IV of this report.

Chapter IV

Concerted declaration on trade expansion, economic co-operation and regional integration among developing countries: results of informal consultations

55. In paragraph 54 above it was mentioned that informal consultations were taking place with a view to working out the draft of a concerted declaration on trade expansion, economic co-operation and regional integration among developing countries. It was also mentioned in the report that the results of these consultations would be communicated to the plenary meeting in the most appropriate form. This is the reason for the following addendum to the Working Group's report:

(a) During the latter part of the discussions of the Working Group, it was the intention of the developing and of developed countries to arrive at a concerted declaration by the second session of the United Nations Conference on Trade and Development on trade expansion, economic co-operation and regional integration among developing countries. Such a declaration was intended to consist of five parts:

Part I was to contain the common view of all members of the Conference on the reasons why trade expansion, economic co-operation and regional integration among developing countries are essential for their economic development, on the special problems that developing countries face in such efforts and on the fact that external assistance would make it possible for developing countries to overcome more easily these problems and thus to make more rapid progress;

Part II was to be a Statement of Intent by the developing countries;

Part III was to be a Declaration of Support by the developed market-economy countries;

Part IV was to be a Declaration of Support by the socialist countries of Eastern Europe;

Part V was to contain the common view of all member States of UNCTAD on the future programme of work and on institutional arrangements that might be made regarding this subject.

(b) Such a concerted declaration would have presupposed that parts II, III and IV, while recording the action which each of the groups concerned would pursue, was generally acceptable to all the other groups. The various parts, taken together, would then have formed a concerted declaration.

(c) It was precisely the need for the three group statements to be generally acceptable to the other groups that made the consultations so delicate and so long. Actually, when the Rapporteur of Working Group II last reported on agenda item 14, the situation was far from clear, as was apparent from document TD/87/Add.1/Rev.1. Following a proposal made by one delegation, the President of the Conference asked that a further attempt should be made to resolve the differences of opinion.

(d) After further consultations, the representatives of the various groups prepared the text of the Concerted Declaration of the second session of the United Nations Conference on Trade and Development, which appears in document TD/L.33 (see appendix I to the present report). This Declaration contains the five parts indicated in sub-paragraph (a) above.

(e) To that end and in a spirit of compromise, each group made efforts to adjust its initial statement to take into account the wishes of the other groups.

(f) With regard to the Statement of Intent by the developing countries, their representatives agreed that the last paragraph of their initial statement should be deleted and transferred to the present supplementary report (see appendix II to the present report). This paragraph did not, properly speaking, refer to an intent of the developing countries. It contained a list of fields in which, in the latter countries' opinion, the granting of outside assistance could enable them to make more rapid progress in trade expansion and in co-operation or integration among themselves. That transfer was made on the understanding that the list of worthwhile purposes for assistance could be further considered in the future work of UNCTAD in this field.

(g) The developed market-economy countries twice modified the text of their declaration of support. However, they requested, and it was agreed, that the text of the first declaration which they had prepared during the consultations prior to the Conference should be appended to this report (see appendix III). On the basis of the new text which they had submitted in order to make it acceptable to the developing countries, they also accepted some

of the amendments requested by the latter countries. The developing countries, for their part, withdrew their other suggestions for the amendment of the declaration of support by the market-economy countries. They did so on the understanding that their original proposals which had not gained adequate acceptance at the second session of the Conference could be examined within the institutional arrangements to be made for continuing work on the expansion of trade and economic integration among developing countries.

(h) The socialist countries of Eastern Europe also twice modified their declaration of support in order to put it into a form acceptable to the other groups in the context of a concerted declaration. They requested, and it was agreed, that the text of their original declaration should be appended to the report of the Working Group (see appendix IV).

(i) The developing countries agreed to withdraw a text which they had suggested should be added to the socialist countries' declaration of support and which listed certain specific measures the latter countries were asked to take with a view to encouraging the expansion of trade and economic co-operation efforts among developing countries. The socialist countries had pointed out that the proposals contained in the above text were being substantially taken into account in the draft resolution of the Fifth Committee on agenda item 9 (c).

(j) Finally, with regard to institutional arrangements, there was an exchange of concessions, with the result that the decisive sentence now reads as follows: "appropriate institutional arrangements for continuing work on this subject on a permanent basis within the UNCTAD framework should be made before the end of 1968".

(k) In introducing the text of the Concerted Declaration, the Chairman expressed "the hope that the future will prove that the efforts have been really worthwhile and that this will not be just another declaration on paper. This concerns both sides: on the one hand, the developing countries will have to make greater efforts in co-operating with each other on the basis of substantial mutual commitments. On the other hand, the developed countries will have the opportunity of showing that the declaration of support is really the beginning of a consistent policy to encourage and support joint efforts of the developing countries in expanding their mutual trade and advancing towards integration."

PART TWO. SPECIAL MEASURES TO BE TAKEN IN FAVOUR OF THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES AIMED AT EXPANDING THEIR TRADE AND IMPROVING THEIR ECONOMIC AND SOCIAL DEVELOPMENT

(Agenda item 15)

Chapter I

Review of the problem of the least developed among the developed countries and special measures to be taken in their favour

56. The discussion on item 15 was introduced by a statement by the representative of the Secretary-General of UNCTAD (TD/II/WG.II/L.9 and Corr.1).

57. The statements made reflected a general consensus among the developing and developed countries on the increasing recognition by the international community of the special situation of the least developed among the developing countries and the need to provide special measures in their favour in programmes of international economic co-operation. There was general agreement that the problems and handicaps of the least developed

countries should be given particular attention by UNCTAD, the regional economic commissions, the international financial institutions and other competent organs of the United Nations family, and that special measures on their behalf should be included among measures emerging from these organizations. Emphasis was laid on the need to develop the economic and social infra-structure as well as to expand and diversify the productive capacity of the least developed countries.

58. It was recognised that the main objective of special measures in favour of the least developed among the developing countries would be to ensure that these countries derive in appropriate cases, equitable benefits and comparable advantages from the various policy measures for development emerging from international economic co-operation of member States of UNCTAD. These measures could be undertaken in various spheres of UNCTAD activities, such as commodity policy, manufactures and semi-manufactures, development finance including technical assistance, trade promotion, and regional integration.

59. The representatives of many developing countries drew attention to the relevant sections of the Charter of Algiers and, in particular, to document TD/38/Add.2, which contained recommendations on a series of special measures that could be taken in favour of the least developed countries in the field of commodity policy, manufactures and semi-manufactures, development finance including technical assistance, invisibles, trade promotion and trade with socialist countries. These representatives expressed the view that these measures should be considered by the Working Group. They further stated that measures which were not sufficiently specific could be elaborated upon by the Working Group. Moreover, additional measures such as those outlined in the relevant secretariat documents, in particular document TD/17 and Corr.1 and TD/17/Supp.1, should also be considered for inclusion in a programme of special measures for the least developed countries. They also stressed that special measures were of vital importance to the least developed countries to enable them to alleviate their development problems and to participate effectively in global schemes of international economic co-operation.

60. The representatives of some developing countries stated that, while they were in general agreement with the provisions for the least developed countries in the Charter of Algiers, they considered that those measures were of a short-term character and merely constituted an initial attempt to meet the problems of the least developed countries. In future, new special measures should be devised to complement them. Other representatives considered that the Charter of Algiers maintained a carefully balanced and, for the present, adequate position. One of these representatives advanced the view that the extension of existing preferences to the least developed countries constituted an intermediate special measure for those countries.

61. Considerable importance was attached by several representatives of developing countries to the desirability of a special programme of technical and financial assistance to the least developed countries and to the need

for the developed countries to expand or at least maintain their aid programmes to these countries.

62. Representatives of other developing countries offered their experience in regional groupings, particularly with respect to special measures for the relatively less developed countries in the context of integration in such groups. In this connexion, some representatives pointed out the efforts they had made to assist the less developed countries in their region. Others considered that regional measures were not sufficient and should therefore be supplemented by international action.

63. Representatives of some developing countries observed that the special measures in favour of the least developed countries should be taken by the whole international community including the advanced developing countries. That would conform to the spirit of the Algiers Charter which affirmed that the developing countries were determined to contribute to one another's development. The representative of one developing country added that it would be inconsistent of the developing countries to request greater efforts from the developed countries if the advanced developing countries did not in their turn make an effort in favour of the least developed countries. The representative of one developed market-economy country inquired why that concept of solidarity between developing countries was not reaffirmed in the report of the Working Group of Fifteen of the Group of 77 (TD/38/Add.2). In reply, it was pointed out that the concept had been clearly stated in the Charter of Algiers itself (TD/38).

64. The representatives of some developed market-economy countries expressed the view that special measures in favour of the least developed countries were appropriate in different fields. Some of them considered the possibilities of adapting measures to the specific needs of a given country were more promising in the field of technical and financial assistance. They stressed the fact that international and regional institutions in those fields had a key role in promoting the development of the least developed countries and therefore attached priority to increasing the resources of these institutions, in particular, UNDP, the International Development Association (IDA) and the regional development banks.

65. Some developed market-economy countries referred to the measures which they were already taking in favour of the least developed countries in their aid and trade policies. Mention was made of bilateral and multilateral assistance programmes, contributions to IDA, to the European Development Fund and to regional financial institutions and also the Commonwealth Sugar Agreement. As regards the matter of aid administration, the delegations of some developed market-economy countries affirmed that their aid programmes would continue to pay special attention to the problems of the least developed countries, and some of them pointed out that their aid to the least developed countries was provided on particularly soft terms. In addition, the representative of one of the developed market-economy countries considered that while attention would have to be given to the volume of aid, special attention should be given to the terms and conditions of aid. In that respect he considered

that a high proportion of that aid should be of the grant type.

66. The representatives of several developed market-economy countries stated that, in their opinion, commodity agreements could constitute a field for special measures in favour of the least developed countries. The representative of one of those countries stressed the importance of the organization of primary commodity markets to the least developed countries and proposed that, in the provisions of future agreements, the special position of these countries should be taken into account. The representative of another developed market-economy country stated that special consideration would need to be given, within the framework of commodity agreement, to those least developed countries whose immediate trade opportunities were largely limited to a very small range of primary commodities for export.

67. The representative of a socialist country of Eastern Europe offered the experience of their grouping in relation to their relatively less developed member countries and informed the Group of its activities affecting the developing countries, including the least developed among them.

68. Representatives of developed market-economy countries expressed the view that it would not be possible for the Working Group, in view of the limited time available to it, to give detailed consideration to individual measures suggested in the Charter of Algiers and secretariat documents on the subject. They also pointed out that concrete measures in the various substantive fields were related to matters that were still under consideration in the various Committees of the Conference. They could not, therefore, commit themselves in the Working Group before they knew the conclusions of the various committees. The subject could be considered by the Trade and Development Board on a continuing basis with a view to examining the feasibility of special measures suited to the special needs of the least developed countries. In that connexion, some of them suggested that the Working Group draw up a joint statement recommending to UNCTAD bodies, as well as other United Nations organizations having responsibilities in the field of development, to accord particular attention in their studies, recommendations or decisions to the problems of the least developed countries and, wherever possible, introduce in the measures which they recommended or decided for all the developing countries, special provisions in favour of the least developed among them.

69. The representatives of some developed and developing countries expressed the view that the objective of the special measures should be not to create discrimination among the developing countries or to affect adversely the development of any of them but to ensure due benefits for the least developed among them so that all developing countries gained equitable benefits.

70. The representative of a regional economic commission expressed concern over an apparent wavering policy and/or lack of attention to the situation of the least developed countries in some aid programmes. He expressed the hope that bilateral and multilateral aid

programmes, such as the European Development Fund, would be maintained and, if possible, expanded to enable these programmes to continue to assist the developing countries, particularly the least developed among them.

71. The representative of a regional development bank agreed that various special measures could be considered in favour of the least developed countries to enable them to overcome some of the development inhibiting factors and to help them initiate and accelerate their socio-economic development. In view of the belief that a special programme for the economic and social development of those countries was necessary, the bank had proposed to establish a special fund which would give special priority to the development of the relatively less developed member countries through soft loan facilities.

72. It was generally agreed in the Working Group that the special situation of the least developed among the developing countries deserved the continuing attention of the international community, and that efforts should be made to devise concrete measures in their favour in appropriate fields. The Trade and Development Board should keep under review the problems of the least developed countries and the effectiveness of the measures taken on their behalf.

73. At the meeting of the Working Group held on 17 March 1968 the representative of Guatemala introduced a draft resolution concerning "Special measures for the least developed among the developing countries aimed at expanding their trade and improving their economic and social development". The sponsors of the draft resolution were: Afghanistan, Bolivia, Brazil, Colombia, Guatemala, India, Iran, Ivory Coast, Liberia, Malaysia, Mexico, Nigeria, Tunisia, Uganda, United Republic of Tanzania and Venezuela. The representative of Guatemala, in introducing the draft resolution, explained that the resolution had been drafted to bring home to all concerned the need for the developing countries and the developed countries together to shoulder the responsibility for the least developed countries by giving those countries the special treatment which would stimulate them to reduce the gap between them and the rest of the world. The sponsors of the resolution were keenly aware of the desire of many developing countries to assume a more active role in that endeavour and had tried to express their common intention while taking account of the different views which had emerged in the course of the discussion.

74. Because there was not sufficient time to consider the draft resolution referred to in the foregoing paragraph, the Working Group agreed to refer it to the Conference for such action as might be deemed appropriate.⁶

75. During its proceedings the Working Group considered an alternative text on the same subject which had resulted from informal contacts but concerning which no agreement was reached in the time available.⁷

⁶ The text of the draft resolution is reproduced in appendix V to this report.

⁷ The alternative text is reproduced in appendix V to this report.

Chapter II

Identification of the least developed among the developing countries

76. The statements made on this subject pointed to a general consensus in the Working Group that the problem of identifying the least developed among the developing countries was a complex task and posed certain technical problems. It should, therefore, be approached in a pragmatic manner.

77. The representatives of many developing countries drew attention to annex II to the Charter of Algiers which listed four possibilities for identifying the least developed countries. They also pointed out that the secretariat documents discussed in some detail certain of the main technical aspects of identifying those countries. The representatives of some developing countries pointed out the experience which existing regional groupings and organizations, including the regional economic commissions, had on this problem.

78. The representatives of many developing countries expressed the view that the identification of the least developed countries could be undertaken by the institutional machinery that might be set up for the application of the general measures adopted by the Conference. They felt that the criteria for identification would vary from measure to measure, and would require to be determined separately in each case. The representative of one of these countries pointed out that there were a number of methods of identification which were not mutually exclusive. He added that, as a first step, the Trade and Development Board should approve general criteria with a view to preparing, on that basis, the first indicative list of the least developed countries, the actual classification being a matter for each one of the institutional bodies responsible for the application of the general measures to be agreed on in the light of the said general criteria and of other subsidiary criteria connected with the measure or policy in question. He considered that in other cases, and according to the nature of the special measures to be applied, the classification might be made by the developing countries in conformity with their regional modalities and machinery.

79. The representatives of some developed market-economy and developing countries were of the opinion that the list of the least developed countries could emerge from decisions of regional groups, while others considered that the list could initially include a few developing countries which could be considered least developed under any set of objective criteria. The representative of one developing country named Burma, Burundi, Ethiopia, Malawi, Rwanda, Somalia and Upper Volta as falling under this category. The representative of another developing country considered that Chad should also be included in the list. The representatives of a number of developing countries stated that the list was only partial and should not be regarded as exhaustive. The representatives of some developed market-economy and developing countries pointed out that it would be difficult to devise special measures without any prior knowledge of the countries for which they were intended to be applied.

80. The delegations of some developing countries suggested that the land-locked developing countries should be automatically included in the list of the least developed countries.

81. The representatives of some developed market-economy countries stressed the desirability of drawing up a list of the least developed countries. They pointed out that the nature and scope of the special measures that could be considered in favour of those countries depended to a large extent on the number of developing countries for which the measures were intended. Therefore, while recognizing the difficulty of establishing an all-purpose list, they considered it necessary to know, as soon as possible, the approximate number of the least developed countries in respect of particular measures.

82. The representatives of some developing countries maintained that the concept of least developed countries could be related to particular sectors of the economy. Accordingly, the least developed countries could not be identified before a case-by-case study of those claiming to be least developed had been made.

83. The representative of one socialist country of Eastern Europe stated that he shared the view expressed by several developing countries that the initiative for the elaboration of the criteria for identifying the least developed countries should come primarily from the developing countries themselves.

APPENDICES

Appendix I

Draft text of a concerted declaration on trade expansion, economic co-operation and regional integration among developing countries submitted by the Chairman of Working Group II

I. GENERAL

1. The countries participating in the second session of the United Nations Conference on Trade and Development (hereinafter called "the Conference") reaffirm that trade expansion, economic co-operation and integration among developing countries is an important element of an international development strategy and would make an essential contribution towards their economic development.

2. The Conference recognizes that the expansion of the mutual trade of developing countries and the creation of multinational markets among them would, in many cases, stimulate the establishment of new industries and the more economic use of existing productive capacity, and would favour diversification and specialization of the production and exports of developing countries, both agricultural and industrial, by enlarging both the range of exportable goods and the market opportunities for them. This would in turn contribute to

enhancing the efficiency of production and the competitive position of exports of developing countries.

3. It is recognized that the responsibility for instituting schemes for regional integration among developing countries, or measures of trade expansion among them, rests in the first instance with the developing countries themselves.

4. It is further recognized that valuable progress in the development of trade expansion and regional economic co-operation schemes among developing countries has already been achieved and is being continued, as is evidenced by statements of the countries and the regional bodies concerned.

5. The Conference agrees that trade expansion and economic co-operation among developing countries can in no way be regarded as lessening the need for opportunities for increased exports to developed countries or for a greater contribution by the latter countries. Effective measures should be undertaken in both of these fields.

6. The Conference recognizes that the special conditions of a number of developing countries, and their geographical, economic and political situations, justify diversity in their choice of methods for trade expansion, economic co-operation and often warrant a step-by-step approach in integration. It also recognizes that the expansion of trade and economic co-operation among developing countries pose special problems and encounter particular difficulties which must be taken into account. These difficulties include the inadequacy of infra-structure in the field of transport and communications; the traditional orientation of the trading and financial structures of developing countries towards trade with developed countries; differences in the level of development among the countries concerned and the problems that trade liberalization commitments may entail for their balances of payments, for customs receipts and for existing domestic production; the relative weakness of their enterprises, of their financial systems and of their foreign exchange reserves. All these and other factors make it necessary to adopt flexible measures adapted to individual situations. The supporting action that the developed countries are determined to provide for efforts for trade expansion and economic co-operation among developing countries must consequently also be diversified and adapted to individual situations.

7. The Conference recognizes that the availability of appropriate external finance and technical assistance from developed countries and international institutions would enable developing countries to overcome more easily difficulties of the type mentioned above, and to achieve a more rapid progress in trade expansion and integration, and would contribute to the special efforts that the developing countries are making at present.

8. In this regard, the Conference also recognizes that further work will need to be done within the institutional framework of UNCTAD to determine the precise fields which could receive assistance.

9. The Conference recognizes that the developing countries will need technical assistance from the developed countries as well as from international institutions concerning, *inter alia*, the various practical problems arising in negotiations for trade expansion and economic integration among developing countries; the preparation of multinational projects in the fields of transport, communications, energy, productive activities, manpower development, natural resources surveys; the establishment of export industries and trade promotion programmes geared to the markets of other developing countries. The Conference also recognizes that, where appropriate, arrangements should be made to enable skilled and experienced experts from developing countries to be made available to other developing countries.

II. STATEMENT OF INTENT BY THE DEVELOPING COUNTRIES

1. Aware of the potential of trade expansion and economic integration among themselves, a large majority of developing countries at present participate in different types of schemes in Africa, Asia and Latin America and have informed the Conference of the progress

they have made, the difficulties they are encountering as well as the future action they intended.

2. In Africa, new treaties have recently entered into force relating to the Central African Customs and Economic Union, the East African Community and the West African Customs Union. Within the Conseil de l'Entente and the African-Malagasy Common Services Organization, commitments relating to specific questions have recently become operative. Among the Maghreb countries, regional projects have been implemented and specific targets for arrangements regarding trade, industry and institutions have been set with a view to the conclusion of a treaty. The Inter-State Committee of the Senegal River Basin is extending its activities beyond river basin development. Finally, in East and West Africa countries are engaged in a process to enlarge the geographical framework of co-operation beyond existing arrangements.

3. In Latin America, the Central American Common Market and the Latin American Free Trade Association continue to implement their treaties and have embarked upon a process that is intended to lead to a Latin American Common Market covering the existing groupings as well those countries in the area which are not at present participants. In the Caribbean area, and among the Andean countries, efforts to form sub-regional groupings are being pursued.

4. In Asia, the countries belonging to the Regional Co-operation for Development arrangement and to the Association of South-East Asian Nations are determined to broaden their co-operation. In the Middle East, the decision to form an Arab Common Market is being implemented by the countries concerned.

5. One interregional multilateral agreement for trade expansion and economic co-operation has recently been concluded between India, the United Arab Republic and Yugoslavia and is open for participation to all other developing countries.

6. Finally, a large number of developing countries have expressed their willingness to participate, within a framework jointly serviced by the General Agreement on Tariffs and Trade and UNCTAD, in multilateral trade negotiations with a view to reducing their mutual trade barriers.

7. In order to ensure that trade expansion, economic co-operation and integration have the desired effect of accelerating development in accordance with the considerations made in part I the developing countries state their determination to make all efforts, between now and the third session of the Conference, to negotiate or put into effect further meaningful commitment, among themselves within the frameworks of their choice. These commitments will be adapted to the different circumstances existing in the various parts of the developing world.

III. DECLARATION OF SUPPORT BY THE DEVELOPED MARKET-ECONOMY COUNTRIES

General

1. The developed market-economy countries welcome the intention of the developing countries to conclude arrangements among themselves aimed at promoting economic growth and expanding their mutual trade. The developed market-economy countries share the belief that trade expansion and intensified economic co-operation between developing countries should make an important contribution towards their development. They further believe that efforts in this direction which foster a rational and outward-looking expansion of production and trade, and avoid undue injury to the trading interests of third parties, including third developing countries, would contribute in the long run to the expansion of world trade and should promote more effective use of the resources available for development.

2. The developed market-economy countries declare their general readiness to support initiatives of the developing countries to increase their trade and strengthen their economic co-operation along the lines indicated in the preceding paragraph and specifically to consider what help they can give to any concrete proposals that may be put

forward. Such help can take the form of action in the field of commercial policy as well as financial aid and technical assistance.

Commercial policy

3. The developed market-economy countries are ready, after examination and consultation within the appropriate international framework, to support particular trading arrangements among developing countries which are consistent with the objectives set out above. This support could include their acceptance of derogations from existing international trading obligations, including appropriate waivers of their rights to most-favoured-nation treatment.

Financial and technical assistance

4. The developed market-economy countries are prepared to support, in the allocation of their financial and technical assistance, initiatives in regional co-operation instituted by the developing countries. The allocation of such assistance by developed market-economy countries, within the framework of their individual aid policies and programmes, will depend on the merits of each proposition, particularly its scope and its potential impact on the development process, as well as the priority which the developing countries concerned attach to it. Such measures might include:

(a) In the field of financial aid: assistance to financial institutions embracing groups of developing countries, including regional and sub-regional development banks; financial assistance in the planning and implementation of regional projects; interim support for the needs of developing countries arising from obligations which they have undertaken in connexion with their participation in arrangements for regional co-operation or integration; assistance to infrastructure projects related to regional integration; assistance to help the less advanced areas of a particular group to share in its benefits;

(b) In the field of technical assistance: provision of assistance in the planning and implementation of regional projects including regional infrastructure projects; the loan of experienced and well-qualified experts; the training of personnel from developing countries; provision of assistance in the field of trade promotion; and exchange of information about developed countries' experiences as regards regional co-operation.

IV. DECLARATION OF SUPPORT BY THE SOCIALIST COUNTRIES OF EASTERN EUROPE ON THE QUESTION OF THE EXPANSION OF TRADE AND ECONOMIC CO-OPERATION AMONG DEVELOPING COUNTRIES

The socialist countries view with understanding and sympathy the efforts of the developing countries with regard to the expansion of trade and economic co-operation among themselves and, following the appropriate principles by which the socialist countries are guided in that respect, they are ready to extend their support to the developing countries.

V. FUTURE PROGRAMME OF WORK AND INSTITUTIONAL ARRANGEMENTS

1. As the expansion of trade and economic co-operation and integration among developing countries are considered by all the countries participating in the Conference as essential elements in the development strategy, it is important that these questions should be dealt with on a continuing basis by the international community which should provide the developing countries with support and encouragement in such efforts. The competence of UNCTAD to play an important role in this field by providing support and encouragement and by undertaking periodic reviews of the progress achieved, is recognized by all the participating countries.

2. The Conference agrees that appropriate institutional arrangements for continuing work on this subject on a permanent basis within the UNCTAD framework should be set up before the end of 1968. It accordingly requests the Trade and Development Board, in the light of the report of the Conference and of Working Group II, and in particular of this Concerted Declaration, and taking into consideration the relevant provisions of the Charter of Algiers (TD/38) and the activities of other bodies, to examine this question and to determine the necessary arrangements for further work along the above lines.

3. The Conference also invites the Secretary-General to prepare the necessary documentation to assist the Board in its consideration of the matter.

Appendix II

Final paragraph of a draft Statement of Intent by the developing countries *

While the developing countries recognize that the responsibility for giving effect to their Declaration of Intent, by instituting schemes of trade expansion, economic co-operation and regional integration rests with the developing countries themselves, they consider that specific measures of support by developed countries and international institutions concerned would enable them to achieve a more rapid progress. Among others, specific measures of support would be useful in the following fields:

(a) Establishment of an infra-structure in transport and communications to enable all countries participating in a particular co-operative scheme to expand their mutual trade;

(b) Elaboration and implementation of an adequate number of multinational projects;

(c) Appropriate measures, including the seeking out and promotion of investment opportunities, to enable the less advanced areas of a particular group to share in its benefits;

(d) Readjustment of productive structure to the extent needed for ensuring competitiveness.

(e) Measures to enable domestic enterprise and capital of the developing countries to participate in the advantages resulting from the creation of a multinational framework.

(f) Arrangements for meeting temporary balance-of-payment difficulties arising from an increase of trade due to trade liberalization and integration commitments.

(g) Relaxing conditions at present attached to aid granted to developing countries in order to allow these countries to use all aid funds for promoting trade exchanges among developing countries;

(h) Eliminating any regulations of institutions for credit and insurance of developed countries, operating in developing countries, that inhibit the latter from taking steps in the field of credit and insurance for facilitating exports from the developing countries.

* The text of paragraph 8 of part II: Statement of Intent by developing countries (see part one, chap. IV and appendix I of this report).

*Appendix III***Draft declaration of support by developed market-economy countries on trade expansion and regional economic co-operation among developing countries ***

1. The developed countries welcome the intention of the developing countries to conclude arrangements among themselves, aimed at promoting economic growth and expanding their mutual trade. They share the belief that trade expansion and intensified economic co-operation between developing countries should make an important contribution towards their development. They further believe that efforts in this direction, so long as they foster a rational and liberal expansion of production and trade, and avoid undue injury to the trading interests of third parties, should contribute in the long run to the expansion of world trade and should promote more effective use of the resources available for development.

2. The developed countries declare their general readiness to support initiatives of the developing countries, to increase their trade and strengthen their economic co-operation, along the lines indicated above and are prepared to consider what help they can give to any concrete proposals which may be put forward. Such help might take the form of action in the field of commercial policy as well as technical assistance and financial aid.

* Submitted by the representative of Sweden on behalf of Group B countries at the eighth meeting of Working Group II on 4 March 1968.

3. If, after examination and consultation, particular trading arrangements among the developing countries are found to be consistent with the objectives set out above, the developed countries are ready to support such arrangements, which may imply derogation from existing international obligations, including appropriate waivers of their rights to most-favoured-nation treatment. There should be provision for appropriate consultations on these arrangements.

4. While the initiative in regional co-operation must come from the developing countries, the developed countries are prepared to assist initiatives of this kind in the allocation of their financial and technical assistance. This help must depend both upon the nature and merits of individual proposals, on the priority attached to them on the part of the developing countries concerned, on the aid policies of individual donor countries, and the nature and structure of their aid programmes. Such measures might include: assistance to financial institutions embracing groups of developing countries; financial and technical assistance in the planning and implementation of regional projects; and assistance to meet the need for interim support to developing countries arising from obligations which they may have undertaken in connexion with their participation in arrangements for regional co-operation or integration.

*Appendix IV***Declaration of support by socialist countries on the question of trade expansion and economic co-operation among developing countries ***

1. The socialist countries support measures to develop economic relations between the developing countries which are aimed at strengthening their political and economic independence. They stress that economic co-operation between the developing countries may be truly of advantage if the economic groupings of these countries are open, do not hinder the economic development of other developing countries not participating in a particular process of economic co-operation and are based on just principles excluding discrimination due to differences in the social and economic systems of the countries concerned.

2. The expansion of such co-operation can undoubtedly promote more effective utilization of the resources of the developing countries, help to overcome the limiting effect of national markets on the development of their economies, and be a way of accelerating their rate of development.

3. Since the process of developing economic co-operation between the developing countries is occurring under specific and particularly difficult conditions, it requires the application of appropriate economic methods and machinery; this refers, in particular, to the increasing role of the State, which is playing in the developing

countries at present an ever-greater role in the economy and in the mobilization of different sources of capital accumulation for the purpose of economic development.

4. In addition, in order to ensure the best conditions for the development of co-operation, it is necessary to eliminate many unfavourable consequences of the colonial past. An important form of assistance to the developing countries — for purposes, *inter alia*, of regional co-operation — would be the exercise by the newly independent countries of the right to compensation for the loss caused to their economies during the period of colonial dependence and unrestricted control over profits transferred abroad by foreign investors.

5. In accordance with the above principles, the socialist countries will continue to organize their relations with the developing countries in such a way as to help solve the problems confronting the developing countries in this field through the expansion of purchases of raw materials, manufactures and semi-manufactures from those countries and further development of economic co-operation on a bilateral basis, and in part through the appropriate international bodies. The socialist countries are ready to continue making the services of experts available to the developing countries and making arrangements for the training of national personnel in the field of the expansion of trade and the development of economic co-operation between them.

* Submitted by the representative of the USSR on behalf of Group D countries at the 20th meeting of Working Group II on 19 March 1968.

Appendix V

Texts of drafts relating to agenda item 15 considered by Working Group II

Draft resolution submitted by Afghanistan, Bolivia, Brazil, Colombia, Guatemala, India, Iran, Ivory Coast, Liberia, Malaysia, Mexico, Nigeria, Tunisia, Uganda, United Republic of Tanzania and Venezuela

The United Nations Conference on Trade and Development,

(a) Guided by General Principle Fifteen^a adopted at the first session of the Conference,

(b) Taking note of the individual characteristics and differing stages of development of developing countries,

(c) Taking further note of the Charter of Algiers and its annex II^b and the special measures detailed in relevant documents of the UNCTAD secretariat,

(d) Recognizing the special problems that confront the least developed amongst the developing countries in their efforts to accelerate their economic and social improvement,

(e) Aware of the need to provide effective and concrete measures that can ensure the sustained growth and enhance the ability of least developed countries to benefit fully from the general measures in favour of all developing countries,

(f) Convinced that the international community when embarking upon a policy of co-operation for development should pay due attention to the special handicaps of the least developed countries with the object of removing their disabilities,

(g) Affirms the need to pay particular attention to the least developed countries in all measures and concrete decisions emanating from UNCTAD and other organizations of the United Nations system concerned with the problems of economic development,

(h) Further affirms that special support should be given by States members of UNCTAD, the international institutions and the regional economic commissions to the least developed countries so as to ensure their active participation in world trade and development, including regional and sub-regional industrial development,

1. Recommends that special measures within a global strategy of convergent measures be devised in order to enable the least developed among the developing countries to derive equitable benefits so that all the developing countries would gain comparable results from international economic co-operation of member countries of UNCTAD, particularly that with the developed countries. These measures should be devised from the spheres of:

- (a) Commodity policy;
- (b) Manufactures and semi-manufactures;
- (c) Development finance;
- (d) Regional economic integration;
- (e) Invisibles and shipping;
- (f) Trade promotion;
- (g) Special technical and financial assistance;
- (h) Trade with socialist countries;

2. Further recommends that the institutional machinery responsible for the implementation of the general measures should identify the least developed countries in the context of each measure concerned, taking into full account the identifying criteria relevant to the policy measure involved. It should further design the form

and elaborate on the special measures to be taken in favour of the least developed countries,

Requests:

1. The Secretary-General of UNCTAD to undertake studies of different aspects of the special problems of the least developed countries with a view to devising effective measures that would enable the least developed countries to participate fully in the UNCTAD programme of trade and development;

2. The Secretary-General of UNCTAD to continue the studies on the identification of the least developed countries, to examine the various approaches to the problem, taking into full consideration the recommendations of the Conference and the work done by the regional economic commissions for the purpose of formulating practical guidelines to be followed in the identification process;

3. The regional economic commissions of the developing countries to pay special attention in their work programme to the special problems of the least developed countries of their regions, and also to undertake studies and take any other action which they consider appropriate to enable the Secretary-General of UNCTAD to formulate guidelines as in paragraph 2 above;

4. The States members of UNCTAD, the regional economic commissions and the appropriate bodies of the United Nations system to co-operate with the Secretary-General of UNCTAD by providing information relevant to the preparation of the studies mentioned in the above paragraphs;

5. The United Nations Development Programme and the United Nations Industrial Development Organization and the international financial institutions to accelerate their assistance to the least developed countries in seeking out viable projects and promoting their financing.

ALTERNATIVE TEXT

The United Nations Conference on Trade and Development,

Recognizing the differing characteristics and stages of development of developing countries and recalling General Principle Fifteen^a adopted at the first session of the Conference,

Further recognizing the special problems that confront the least developed amongst the developing countries in their efforts to accelerate their economic and social improvement and aware of the need to provide effective and concrete measures that can ensure their sustained economic growth,

Accepting that such measures should be adapted to the particular situations and specific problems of these countries,

Taking note of the Charter of Algiers^d and the documents of the UNCTAD secretariat relevant to this problem,

Convinced that the international community, when embarking upon a policy of co-operation for development, should pay due attention to the special handicaps of the least developed countries with the object of removing their disabilities,

Recognizing that it is necessary to study further, and to elaborate, the detailed measures which should be taken in this regard within the various fields of activity of UNCTAD, other organs of the United Nations and other international organizations,

^a See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 22.

^b TD/38 and Add.2.

^c See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 22.

^d TD/38 and Add.2.

Having agreed that it should not be the objective of any special measures taken in favour of the least advanced developing countries to create discrimination among the developing countries but to ensure due benefits for the least developed among them so that all developing countries can gain equitable benefits,

1. *Affirms* the need to pay particular attention to the least developed countries in all measures and concrete decisions emanating from UNCTAD and other organizations of the United Nations system concerned with the problems of economic development,

2. *Further affirms* that special support should be given by States members of UNCTAD, the international institutions and the regional economic commissions to the least developed countries so as to ensure their active participation in world trade and development, including regional and sub-regional industrial development,

3. [Recommends that special measures be devised within a global strategy of convergent measures in order to enable the least developed among the developing countries to derive equitable benefits, so that all the developing countries are enabled to gain comparable results from the co-operation of member States of UNCTAD, particularly co-operation between developing and developed countries:]

[Recommends that special measures within a global strategy of convergent measures be devised in order to enable the least developed among the developing countries to derive equitable benefits so that all the developing countries would gain comparable results from international economic co-operation of member States of UNCTAD, particularly that with the developed countries.]

[These measures should be devised from the spheres of:

- (a) Commodity policy;
- (b) Manufactures and semi-manufactures;
- (c) Development finance;
- (d) Regional economic integration;
- (e) Invisibles and shipping;
- (f) Trade promotion;
- (g) Special technical and financial assistance;
- (h) Trade with socialist countries.]

4. *Further recommends* that the international machinery responsible for particular measures designed to benefit developing countries generally should, in the context of each such measure, decide on the special measures which might be taken in favour of the least developed countries and should identify such countries in the context of each measure concerned, taking fully into account the identifying criteria relevant to the policy measure in question,

5. *Requests:*

(a) The Trade and Development Board and its subsidiary organs to bear in mind in all its activities, studies and decisions the special needs of the least advanced among the developing countries and to keep this question under review on a continuing basis;

(b) The Secretary-General of UNCTAD to undertake studies of different aspects of the special problems of least developed countries with a view to devising effective measures that would enable these countries to benefit fully from measures undertaken within the UNCTAD programme and framework;

(c) The Secretary-General of UNCTAD to continue studies on the identification of the least developed countries and to examine the various approaches to this problem, taking into full consideration the recommendations of the Conference and the work undertaken by the regional economic commissions and the recommendation in paragraph 4 above with the object of formulating practical guidelines to be followed in the process of identification;

6. *Invites:*

(a) Other organs of the United Nations, as well as other international organizations whose activities may have a bearing on measures which can be taken to assist the least advanced of the developing countries, to pay special attention in their activities to the problems of these countries and wherever possible to introduce, within the measures they may recommend or undertake in favour of developing countries as a whole, particular provisions to assist the least advanced among them;

(b) In particular, the regional economic commissions of the developing countries to pay special attention in their work programme to the special problems of the least developed countries of their regions, and also to undertake studies and take any other action which they consider appropriate to enable the Secretary-General of UNCTAD to formulate guidelines as in paragraph 5 (c) above;

(c) The States members of UNCTAD, the regional economic commissions and the appropriate bodies of the United Nations system to co-operate with the Secretary-General of UNCTAD by providing information relevant to the preparation of the studies mentioned in the above paragraphs;

(d) The United Nations Development Programme and the United Nations Industrial Development Organization and the international financial institutions [to pay special regard to the needs of the least developed countries in the drawing up of their programmes of assistance] [to accelerate their assistance to the least developed countries in seeking out viable projects and promoting their financing.]

H. REPORT OF WORKING GROUP III

CONTENTS

	Paragraph	Page
<i>Introduction</i>	1-6	376
<i>Chapter I. Special problems of the land-locked countries</i>	7-15	376

APPENDICES

I. Texts of draft resolutions and amendments thereto relating to agenda item 9 (g) considered by Working Group III	379
II. Statement of financial implications of the draft resolution submitted by the Chairman of the Working Group	384

NOTE. The check list of documents prepared for and during the deliberations of Working Group III appears in annex X to the report of the Conference.

Introduction

1. At its 58th plenary meeting on 14 February 1968, the second session of the United Nations Conference on Trade and Development established Working Group III to consider and report on agenda item 9 (g) "Special problems of the land-locked countries".

2. At its 62nd plenary meeting on 16 February, the Conference designated the following countries as members of the Working Group: Afghanistan, Argentina, Austria, Bolivia, Brazil, Bulgaria, Chad, Chile, Congo (Brazzaville), Czechoslovakia, Federal Republic of Germany, Holy See, Hungary, India, Iran, Italy, Laos, Lesotho, Luxembourg, Mali, Mexico, Nepal, Pakistan, Peru, Senegal, Sweden, Switzerland, Thailand, Turkey, United Kingdom of Great Britain and Northern Ireland, United States of America, Union of Soviet Socialist Republics, Upper Volta, Zambia. It was agreed that any representative of any State member of UNCTAD interested in the Working Group's deliberations would be free to participate in its proceedings.

3. At its first meeting on 28 February, the Working Group elected Mr. Mohammad Ali Aghassi (Iran) as its Chairman, Mr. Vladimir Pavera (Czechoslovakia) Vice Chairman, and Mr. Albert S. Mohale (Lesotho), Rapporteur.

4. The Working Group held eight meetings from 28 February to 21 March 1968, at the last of which it adopted its draft report.

5. An informal group of the land-locked developing countries members of the Working Group prepared and submitted a draft resolution (TD/II/WG.III/L.5) which is appended to this report (appendix I).

Amendments proposed to this draft resolution by other countries members of the Working Group and later submitted as documents TD/II/WG.III/L.6, L.7, L.8 and L.9 also appear in appendix I. The informal consultations

that took place among the various group of countries resulted in a revised text of the draft resolution being submitted to the Working Group by its Chairman in document TD/II/WG.III/L.11.

6. At its meeting on 20 March the Working Group received a statement on the financial implications of action on the lines contemplated in this draft resolution (see appendix II).

Chapter I

Special problems of land-locked countries

7. The Chairman of the Working Group, in his opening statement (TD/II/WG.III/L.3 and Corr.1) gave a brief history of the international discussions and negotiations on the subject and explained the background of the special problems of the land-locked countries. He drew attention to the documents before the Working Group and proposed that the Group should identify the problems hampering the promotion of trade and economic development of the land-locked countries, consider measures designed to overcome the difficulties involved, and formulate conclusions and recommendations for submission to the Conference. The Working Group decided to concentrate on the recommendations to be made to the Conference.

8. The representatives of the land-locked developing countries stressed that the land-locked position of these countries (in particular because of the high costs of transportation, the poor development of their infrastructure and other special problems, such as inadequate and inconvenient transport, storage and port facilities; the lack of opportunity to use their own transport equipment and to establish their own transport facilities, and the unfavourable trend of transport tariffs and charges) was a factor seriously inhibiting the expansion of their trade and economic development and hampering

them in their efforts to take advantage of the international measures envisaged to promote the trade and development of all developing countries. They emphasized that the solution of their special problems required special measures to be taken in their favour in the context of a global strategy of development, such as effective recognition of their right to, and facilitation of, free access to the sea; application of special measures in their favour along the lines of those accorded to the least advanced among the developing countries; priority attention to their financial and technical assistance needs, including the granting of soft-term and interest-free loans and the creation of a special fund designed to subsidize their additional transport costs; and the undertaking of studies covering, *inter alia*, the feasibility of through rates, roll-on and roll-off facilities and a comprehensive report identifying their most important special problems.

9. Representatives of the developing transit countries, while reserving their position on matters relating to transit facilities, such as transport tariffs and charges, and the establishment of transport and equipment facilities by land-locked developing countries in the transit States, recognized that land-locked developing countries suffered from certain disabilities because of their distance from the sea. They pointed out that the problems in respect of various land-locked developing countries, while having some common features, required solutions on a bilateral basis in the context of the circumstances pertaining to each particular case. They supported the request of the land-locked developing countries for special attention by the international financing agencies to their needs in financial and technical assistance programmes in the field of transport and communications.

10. Representatives of the developed market-economy countries also recognized that land-locked developing countries faced special problems in their trade promotion and economic development and stressed that the development of harmonious bilateral relationships between those countries and the transit countries concerned was a basic necessity in the solution of such problems. They considered that, in many cases, land-locked countries ranked amongst the least-developed countries and merited appropriate treatment on that score. It was explained that in the matter of technical assistance the land-locked factor was taken into account in assessing the development problems and potential of particular countries together with the level and direction of possible aid. With regard to further study of the problems of the land-locked developing countries, it was suggested that, as most of the problems faced by them — as distinct from other countries at a comparable stage of development — related to inland transport, full use should be made of studies already available in that field and also of the expert knowledge available in various United Nations bodies. It was important that further studies should not duplicate or overlap work to be done on the problems of the least-developed countries. The representative of one developed market-economy country said that his country would be willing to co-operate with the land-locked developing countries by carrying out a study based on its experience as a land-locked country if land-locked developing countries should wish to receive such a study. The representatives of two developed

market-economy countries stated that their countries were actively working towards ratification of, or accession to, the 1965 Convention on Transit Trade of Land-locked States and pointed out the importance of the Convention for the entire world community.

11. The socialist countries of Eastern Europe also pointed out the importance of the problems under discussion. The representative of one socialist transit country of Eastern Europe stressed that the volume of his country's trade with land-locked countries had increased during recent years and gave examples of the measures undertaken by his country for better transportation of the goods of land-locked countries. The representative of a land-locked socialist country of Eastern Europe explained the ways and means used for the solution of its analogous problems and offered to assist and co-operate with the UNCTAD secretariat and other United Nations bodies through exchange of experience. Recognizing the importance of multilateral instruments, he emphasized the most important practical role of bilateral agreements and negotiations in regulating relations between land-locked and transit countries. He also considered that the second session of the Conference should invite all States, and in particular all transit States, to ratify the 1965 Convention on Transit Trade of Land-locked States.

12. Some delegations recalled that the first session of the Conference in 1964 had adopted in recommendation A.I.2 the principles relating to transit trade of land-locked countries,¹ on the basis of which the United Nations Conference on Transit Trade of Land-locked Countries had adopted the Convention on Transit Trade of Land-locked States on 8 July 1965. The representatives of some transit countries pointed out that these principles were included in the preamble to the Convention, that they were inter-related and that each principle should be construed in the context of the other principles. It was noted that the Convention had entered into force on 9 June 1967, but that so far only two transit States having a sea-coast had ratified or acceded to the Convention.

13. The representatives of some coastal countries informed the Working Group of the intention of their Governments to ratify the Convention after completion of the necessary legislative procedures; the representatives of some other countries — both transit and land-locked — referred to the conclusion of bilateral transit agreements and expressed reservations with respect to certain provisions of the Convention.

14. Some land-locked countries urged that all countries considering ratifying or acceding to the Convention should be encouraged to do so as soon as possible, and thus give the Convention the broadest possible effect at an early date.

15. The Working Group unanimously approved, and recommended to the plenary of the Conference for adoption, the following draft resolution:

¹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 25 and 26.

SPECIAL PROBLEMS OF THE LAND-LOCKED COUNTRIES

A

The United Nations Conference on Trade and Development,

Recalling the Principles relating to Transit Trade of Land-locked Countries which were adopted by the first session of the United Nations Conference on Trade and Development,²

Recalling that, on the basis of these Principles, the United Nations Conference on Transit Trade of Land-locked Countries adopted on 9 July 1965 the Convention on Transit Trade of Land-locked States,

Noting that the Convention entered into force on 9 June 1967, but so far has been ratified or acceded to by only two transit States having a sea-coast,

Noting further that the Convention is open for ratification or accession without any time limit,

Considering that, for the promotion of the trade and economic development of the land-locked States, it is essential to provide facilities to enable them to overcome the effects of their land-locked position on their trade,

Recalling General Assembly resolution 1028 (XI) of 20 February 1957,

Urges all States invited to become parties to the 1965 Convention to Transit Trade of Land-locked States to investigate the possibilities to ratify it or accede to it and to make it effective at the earliest possible date.

B

The United Nations Conference on Trade and Development,

Recognizing that:

(a) The land-locked position of many developing countries affects the expansion of trade and economic development of these countries, and may hamper them in taking advantage of some of the international measures envisaged to support the trade expansion and economic development of all developing countries;

(b) The special problems involved in the promotion of the trade and economic development of the land-locked developing countries, in particular the high cost of transportation due to distance from sea, the poor state of transport and communications and other factors inhibiting the execution of their trade expansion and economic development programmes, call for special attention and require special solutions,

Convinced that the international community, when embarking upon a comprehensive policy of co-operation for development, should pay due attention to the above-mentioned special problems of the land-locked developing countries,

Noting that, within the framework of some United Nations regional economic commissions and some regional and sub-regional economic groupings of developing countries, studies of certain important aspects of the special problems of the land-locked developing countries

of the regions or sub-regions concerned have been initiated with a view to contributing to their solution,

1. Recommends that in view of the special problems of the land-locked developing countries, the land-locked situation should be considered as a factor in determining the criteria for the identification of the least developed among the developing countries;

2. Recommends that the Governments of the developed countries in their financial and technical assistance programmes in the field of transport and communications, should accord appropriate attention to the special needs of land-locked developing countries in extending adequate financial and technical assistance to projects designed for the development and improvement of transport and communications infra-structure needed by these countries, in particular of the transport modes and facilities most convenient to them and mutually acceptable to the transit and the land-locked developing countries concerned, including joint projects concluded by common agreement with the transit States concerned for the establishment, expansion and/or improvement of transport and communications facilities serving the transit trade of the land-locked countries;

3. Further recommends that the appropriate international financial organizations be invited to give similar attention among their priorities to the matters mentioned in the preceding paragraph;

4. Calls on transit countries to extend their fullest possible co-operation to the formulation and execution of the projects mentioned in the preceding paragraphs;

5. Recommends that the land-locked developing countries and the transit countries should enter into consultations and negotiations, whether bilaterally or on a regional or sub-regional basis, with a view to examining jointly the special difficulties which the land-locked developing countries face in the promotion of their trade and economic development, and to concluding agreements designed to overcome such difficulties in accordance with the nature of each particular case paying special attention to the facilities requested by the land-locked countries for their transit trade;

6. Further recommends that the Governments of the developed countries be invited to bear in mind, in their assistance programmes or through the international organizations concerned, the possibility of extending loans on favourable terms:

(a) To the land-locked developing countries for the development of transport and communication facilities designed to help the latter to overcome the special difficulties of their land-locked position;

(b) To the developing land-locked and transit countries for the development of transport and communication facilities referred to in paragraph 2 above designed to help the developing countries concerned to overcome the special difficulties of the land-locked position;

7. Recommends that the Governments of States members of UNCTAD invite liner conferences and equivalent organizations, directly or through the shipowners members of them, and also insurance companies, to bear in mind in forming their respective tariff policies, the special problems of land-locked developing countries;

² *Ibid.*

8. *Calls on* the developed land-locked countries, through the exchange of information experience, training and technical know-how, to lend, upon request, directly or through the appropriate United Nations bodies, special assistance to the land-locked developing countries in outlining suitable solutions of the special problems of the latter;

9. *Invites* the regional economic commissions concerned with the developing regions and the regional and sub-regional economic groupings of the developing countries to pay special attention in their work programmes to the special problems in the field of the trade expansion and economic development of the land-locked countries — members of such regional economic commissions and regional or sub-regional economic groupings, and to give special consideration to the need for greater participation by such land-locked developing countries in regional and international trade;

10. *Requests:*

(a) The Secretary-General of UNCTAD, in consultation with the United Nations Under-Secretary-General for Economic and Social Affairs, to establish a group of experts to carry out a comprehensive examination of, and to report upon, the special problems involved in the promotion of trade and economic development of the land-locked developing countries, a special study to be made in this examination of the transport problems, outlining possible ways by which the adverse effects of higher trans-

portation costs on the trade position, production costs and execution of economic development programmes of the land-locked developing countries might be minimized; the background material to be prepared for the examination by the group of experts shall draw fully upon the experience and competence in this field of other appropriate United Nations bodies, in particular the Department of Economic and Social Affairs and the regional economic commissions; the report of this expert group should describe the experience so far gained in the solution of the above-mentioned problems and outline further practical measures and procedures for presentation to the Trade and Development Board for consideration and appropriate action;

(b) The States members of UNCTAD, the regional economic commissions, the specialized agencies concerned, the economic groupings of the developing countries and other international organizations dealing with the subject to co-operate with the Secretary-General of UNCTAD by providing, to the extent possible, information relevant to the preparation of the studies and reports mentioned in this paragraph;

(c) The Secretary-General of UNCTAD to follow the progress made in giving effect to the recommendations made in this resolution and to report thereon in his annual reviews of international trade and economic development to be prepared in pursuance of Trade and Development Board resolution 19 (II).

APPENDICES

Appendix I

TEXTS OF DRAFT RESOLUTION AND AMENDMENTS THERETO CONSIDERED BY WORKING GROUP III

Special problems of the land-locked countries

1. DRAFT RESOLUTION SUBMITTED BY AFGHANISTAN, BOLIVIA, CHAD, LAOS, LESOTHO, MALI, NEPAL, UPPER VOLTA, ZAMBIA (TD/II/WG.III/L.5)

The United Nations Conference on Trade and Development, Recognizing that:

(a) The land-locked position of many developing countries is a factor seriously inhibiting the expansion of trade and economic development of these countries;

(b) By reason of their land-locked position these developing countries may be seriously hampered in taking advantage of some of the international measures envisaged to support the trade expansion and economic development efforts of all developing countries;

(c) The special problems involved in the promotion of the trade and economic development of the land-locked developing countries, in particular the high cost of transportation, the poor state of infrastructure and other factors inhibiting the execution of their trade expansion and economic development programmes, call for special attention and require special solutions,

Convinced that the international community, when embarking upon a comprehensive policy of co-operation for development, should pay due attention to the special handicaps of the land-locked developing countries,

Guided by the Principles relating to Transit Trade of Land-locked Countries which were adopted without dissent by the first session of the Conference ^a,

Recalling that, on the basis of these Principles, the United Nations Conference on Transit Trade of Land-locked Countries adopted on 8 July 1965 the Convention on Transit Trade of Land-locked States,

Noting that the Convention entered into force on 9 June 1967, but so far has been ratified or acceded to by only two transit States having a sea-coast,

Noting further that the Convention is open for ratification or accession without any time limit,

Reaffirming its conviction that, for the promotion of the trade and economic development of the land-locked developing countries, it is essential to accord to them adequate transit facilities in terms of international law and practice to enable them to overcome the effects of their land-locked position on their trade and economic development,

Noting that, within the framework of some United Nations regional economic commissions and some regional and sub-regional economic groupings of developing countries, detailed studies of

^a See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report*, annex A.I.2 (United Nations publication, Sales No.: 64.II.B.11), pp. 25 and 26.

certain important aspects of the special problems of the land-locked developing countries of the regions or sub-regions concerned have been initiated with a view to contributing to their solution,

1. *Recognizes* that the land-locked developing countries, in view of their special problems mentioned in the preamble to this resolution, deserve special treatment on the lines of that to be accorded to the least developed among the developing countries;

2. *Recommends* that the appropriate international institutions and the Governments of the developed countries, in their financial and technical assistance programmes in the field of transport and communications, should accord priority attention to the special needs of the land-locked developing countries in extending adequate financial and technical assistance to the projects designed for the development and improvement of transport and communications infra-structure needed by those countries, in particular of the transport modes and facilities most convenient to them, including joint projects for the establishment, expansion and/or improvement of transport and communications facilities serving the transit trade of the land-locked countries;

3. *Calls* on transit countries to extend their fullest possible co-operation to the formulation and execution of the projects mentioned in the preceding paragraph;

4. *Invites* the international financial institutions:

(a) To extend to the land-locked developing countries soft term and interest-free loans with a view to assisting them in overcoming the consequences of their higher transportation costs,

(b) To consider the possibility of establishing a special fund designed to subsidize the additional higher transport costs incurred by the land-locked developing countries in so far as these costs result in their higher production costs and lower competitive position;

5. *Recommends* that transit countries should enter into consultations and negotiations with the respective land-locked developing countries, whether bilaterally or on a regional or sub-regional basis, with a view to examining jointly the special difficulties which the land-locked developing countries face in the promotion of their trade and economic development, and concluding agreements designed to overcome such difficulties in accordance with the nature of each particular case, paying special attention to the facilities requested by the land-locked developing countries for their transit trade, such as:

Providing adequate and convenient inland transport possibilities as well as warehousing, handling and other port installations and services; facilitating the use by the land-locked countries of the most convenient transit routes and transport means, such as highways, railways, inland waterways, ropeways, pipelines and other communication facilities, including the use of their own transport equipment and, where appropriate, the establishment of their own transport facilities;

Providing, for the convenience of traffic in transit, in the transit ports or trans-shipment points, defined areas where goods consigned from or to the land-locked countries could be stored with the simplest possible customs formalities;

Simplifying administrative and other formalities, and eliminating practice of export and import licences, affecting the transit trade of the land-locked countries;

Granting with regard to tariffs and charges on the transit traffic the most favourable treatment applied to the transport of goods of the transit country concerned and satisfying to the maximum possible extent the needs of the land-locked developing countries for a longer-term stabilization of such tariffs and charges;

6. *Recommends* that the Governments of countries in which the conference shipping lines and insurance companies have their seat should bring to the attention of the said lines and companies the desirability of according special treatment in their tariff policies to the overseas shipments of the land-locked developing countries in view of their special difficulties;

7. *Recommends* that all countries within the individual regions, whether land-locked, transit or other coastal countries, without prejudice to world-wide actions, should study and apply special methods of financial and technical co-operation designed to ensure a greater participation of the land-locked developing countries in regional and international trade;

8. *Calls* on the developed land-locked countries, through the exchange of information, experience, training and technical know-how, to lend special assistance to the land-locked developing countries in working out suitable international solutions to the special problems of the latter;

9. *Urges* all States invited to become parties to the 1965 Convention on Transit Trade of Land-locked States to ratify the Convention, or accede to it, and to make it effective at the earliest possible date;

10. *Requests*:

(a) The Secretary-General of UNCTAD, in co-operation with the appropriate bodies of the United Nations system which have competence in the particular fields concerned, to undertake studies of the different aspects of the special problems of the land-locked developing countries, including the field of international law, national legislation and practice, various possibilities of international negotiations, transport tariff techniques (e.g. through rates), transit operations (e.g. roll-on roll-off facilities) and other related matters;

(b) The regional economic commissions concerned with the developing regions and the regional and sub-regional economic groupings of the developing countries to continue to pay special attention in their work programmes to the problems peculiar to the land-locked countries of their regions or sub-regions and to the transit trade difficulties and transport handicaps of these countries,

(c) The Secretary-General of UNCTAD to prepare, taking into account the work done in this field by the regional economic commissions and the regional and sub-regional economic groupings of the developing countries, with the assistance of experts familiar with the problems of both land-locked and transit countries, a comprehensive report identifying the most important special problems confronting land-locked developing countries, describing the experience gained so far in the solution of those problems and outlining further practical measures and procedures,

(d) The States members of UNCTAD, the regional economic commissions, the specialized agencies concerned, the economic groupings of the developing countries and other international organizations dealing with the subject to co-operate with the Secretary-General of UNCTAD by providing information relevant to the preparation of the studies and reports mentioned in this paragraph,

(e) The Secretary-General of UNCTAD to follow the progress made in giving effect to the recommendations made in this resolution and to report thereon in his annual reviews of international trade and economic development to be prepared in pursuance of the Trade and Development Board's resolution 19 (II);

11. *Recommends* to the Trade and Development Board to establish a standing group of all interested land-locked, transit and other countries, both members and non-members of the Board, to study the special questions relating to the trade and development of the land-locked developing countries, to consider the studies and reports mentioned above and to prepare recommendations for the Board's consideration and action.

2. AMENDMENTS SUBMITTED BY CHILE, INDIA, IRAN, ITALY, PAKISTAN, THAILAND (TD/II/WG.III/L.6) TO THE DRAFT RESOLUTION CONTAINED IN DOCUMENT TD/II/WG.III/L.5

1. *The title* of the resolution to read:

"Special problems of the land-locked developing countries."

2. *First paragraph of the preamble:*

Sub-paragraphs (a) and (b) to be merged as follows:

"(a) The land-locked position of many developing countries may affect the expansion of trade and economic development of those countries and hamper them in taking advantage..."

Sub-paragraph (c) to become (b).

In the third line the words "transportation, the poor state of infra-structure and other factors" to be replaced by "transportation due to distance from sea and poor state of transport and communications."

In the fifth line the word "solutions" to be replaced by "measures".

3. *Second paragraph of the preamble:*

The words "the special handicaps" to be replaced by "the above-mentioned special problems".

4. *Third, fourth, fifth and sixth paragraphs of the preamble to be deleted.*

5. *Seventh paragraph of the preamble:*

The words "its conviction" in the first line to be deleted.

The words "adequate transit" and "in terms of international law and practice" in the third line to be deleted.

6. *Eighth paragraph of the preamble:*

The word "detailed" in the third line to be deleted.

7. *Operative paragraph 1 to be replaced by the decision to be taken by the Group of 77.*

8. *Operative paragraph 2:*

The word "priority" in the third line to be replaced by "appropriate".

The words "most convenient to them" in the seventh line to be replaced by "mutually acceptable to the transit and land-locked developing countries concerned".

In the eighth line after "joint projects" insert "concluded by common agreement with the transit States concerned".

9. *Operative paragraph 3:*

In the second line insert "joint" between "the" and "projects".

10. *Operative paragraph 4 (a):*

In the first line insert "and transit" between "land-locked" and "developing".

Replace "soft term and interest free loans" in the first and second lines by "where necessary loans on most favourable possible terms".

In the third line replace "their higher transportation costs" by "the higher transportation costs of the land-locked countries concerned".

11. *Operative paragraph 5:*

Delete the sixth to twenty-seventh lines starting from "paying special attention" to the end of the paragraph.

12. *Operative paragraph 6:*

The words "special treatment" to be replaced by "treatment as favourable as possible".

13. *Operative paragraph 7: to be deleted.*

14. *Operative paragraph 8:*

The words "working out suitable international" in the third line to be replaced by "outlining possible".

15. *Operative paragraph 9: to be deleted.*

16. *Operative paragraph 10:*

Sub-paragraph (a) to be replaced by the following:

"(a) The Secretary-General of UNCTAD to establish a group of experts to carry out a comprehensive examination of the special

problems involved in the promotion of trade and economic development of the land-locked developing countries, with special reference to the high costs involved in the execution of their development programmes and trade expansion programmes."

Sub-paragraph (b)

The words "to continue" in the third line to be deleted.

The third and fourth lines to be replaced by the following:

"Special problems in the field of the trade expansion and economic development of the land-locked countries members of such regional economic commissions and regional or sub-regional economic groupings."

Sub-paragraph (c)

Delete the words "in this field" in the second line.

Replace in the third, fourth and fifth lines the words "with the assistance of experts familiar with the problems of both land-locked and transit countries" by "and the group of experts referred to in sub-paragraph (a)".

Insert after "countries" in the sixth line "in the field of trade expansion and economic development".

Insert at the end of sub-paragraph (c) the following: "for consideration and appropriate action by the Trade and Development Board".

Sub-paragraph (d):

Insert after "providing" in the fourth line "to the extent possible".

17. *Operative paragraph 11: to be deleted.*

3. AMENDMENTS SUBMITTED BY AUSTRIA, SWITZERLAND, THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE UNITED STATES OF AMERICA (TD/II/WG.III/L.7) TO THE DRAFT RESOLUTION CONTAINED IN DOCUMENT TD/II/WG.III/L.5¹

1. *Seventh preambular paragraph:*

Delete and replace by the second preambular paragraph of recommendation A.1.2, adopted by the first session of the United Nations Conference on Trade and Development.

2. *Operative paragraph 1:*

Delete and replace by:

"Recognizes that special treatment, where appropriate according to criteria which may be adopted by the United Nations for the classification of the least-developed among the developing countries, should be accorded to land-locked developing countries."

3. *Operative paragraph 2:*

Delete the first five lines and replace by:

"2. Recommends that the Governments of the developed countries in their financial and technical assistance programmes in the field of transport and communications, should accord appropriate attention to the special needs of land-locked developing countries in extending adequate financial and technical assistance to projects designed for the development and "... [continue "improvement etc."]

The following to be new operative paragraph:

"2 (a). Further recommends that the appropriate international financial organizations be invited to give similar attention to the matters mentioned in the preceding paragraph."

4. *Operative paragraph 4:*

Delete.

5. *Operative paragraph 6:*

Delete and replace by:

"Recommends that the Governments of States members of UNCTAD invite liner conferences and equivalent organizations, directly or through the shipowners members of them, and likewise insurance companies, to bear in mind in forming their respective

tariff policies, the special problems of land-locked developing countries."

6. *Operative paragraph 10:*

Delete sub-paragraph (c).

7. *Operative paragraph 11:*

Delete and replace by:

" *Recommends* that the Committee for Invisibles and Financing related to Trade give regular study to the special questions relating to the trade and development of the land-locked developing countries, consider the studies and report referred to in paragraph 8 (a) above and prepare recommendations as to appropriate further action."

4. SUB-AMENDMENT SUBMITTED BY AUSTRIA, SWITZERLAND, THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE UNITED STATES OF AMERICA (TD/II/WG.III/L.8) TO THE AMENDMENTS SUBMITTED BY CHILE, INDIA, IRAN, ITALY, PAKISTAN AND THAILAND (TD/II/WG.III/L.6) TO THE DRAFT RESOLUTION CONTAINED IN DOCUMENT TD/II/WG.III/L.5

Operative paragraph 10:

Replace sub-paragraphs (a) and (c) by:

" (a) The Secretary-General of UNCTAD, in consultation with the United Nations Under-Secretary-General in charge of Economic and Social Affairs, to establish a group of experts to carry out a comprehensive examination of and to report upon, the special problems involved in the promotion of trade and economic development of the land-locked developing countries; special study to be made in this examination of the transport problems, and their effect upon the execution of the development and trade expansion programmes, of those countries, drawing fully upon the experience and competence in this field of other appropriate bodies, in particular the Department of Economic and Social Affairs, and upon relevant work already carried out by the regional economic commissions; the report of this expert group should describe the experience so far gained in the solution of the above-mentioned problems and outline further practical measures and procedures, for presentation to the Trade and Development Board for consideration and appropriate action."

5. AMENDMENTS SUBMITTED BY CZECHOSLOVAKIA AND HUNGARY (TD/II/WG.III/L.9) TO THE DRAFT RESOLUTION CONTAINED IN DOCUMENT TD/II/WG.III/L.5 AND TD/II/WG.III/CONF. ROOM PAPER 2

Divide the text of the draft resolution (TD/II/WG.III/L.5) as reworded in TD/II/WG.III/Conf. Room Paper 2 into two parts.

The first part of the draft resolution to read as follows:

A

The United Nations Conference on Trade and Development,

Recalling the Principles relating to Transit Trade of Land-locked Countries which were adopted by the first session of the United Nations Conference on Trade and Development^b,

Recalling that, on the basis of these Principles, the United Nations Conference on Transit Trade of Land-locked Countries adopted on 8 July 1965 the Convention on Transit Trade of Land-locked States,

Noting that the Convention entered into force on 9 June 1967, but so far has been ratified or acceded to by only two transit States having a sea-coast,

Noting further that the Convention is open for ratification or accession without any time limit,

^b *Ibid.*

Reaffirming that, for the promotion of the trade and economic development of the land-locked States, it is essential to provide facilities to enable them to overcome the effects of their land-locked position on their trade,

Recalling General Assembly resolution 1028 (XI) of 20 February 1957,

1. *Urges* all States invited to become parties to the 1965 Convention on Transit Trade of Land-locked States to investigate the possibilities to ratify it or accede to it, and to make it effective at the earliest possible date.

The second part of the draft resolution to read as follows:

B

The United Nations Conference on Trade and Development, Recognizing that:

(a) The land-locked position of many developing countries affects the expansion of trade and economic development of these countries and may hamper them in taking advantage of some of the international measures envisaged to support the trade expansion and economic development of all developing countries,

(b) The special problems involved in the promotion of the trade and economic development of the land-locked developing countries, in particular the high cost of transportation due to distance from sea, the poor state of transport and communications and other factors inhibiting the execution of their trade expansion and economic development programmes, call for special attention and require special solutions,

Convinced that the international community, when embarking upon a comprehensive policy of co-operation for development, should pay due attention to the above-mentioned special problems of the land-locked developing countries,

Noting that, within the framework of some United Nations regional economic commissions and some regional and sub-regional economic groupings of developing countries, studies of certain important aspects of the special problems of the land-locked developing countries of the regions or sub-regions concerned have been initiated with a view to contributing to their solution,

[Operative paragraphs 1-9 as in TD/II/WG.III/Conf. Room Paper 2 (see below) subject to amendments to those paragraphs on which no agreement has yet been reached.]

Document TD/II/WG.III/Conf. Room Paper 2, operative paragraphs 1-9

The United Nations Conference on Trade and Development,

1. *Recognizes* that the land-locked developing countries, in view of their special problems mentioned in the preamble of this resolution, deserve special treatment on the lines of that to be accorded to the least developed among the developing countries;]

2. *Recommends* that the appropriate international institutions and the Governments of the developed countries in their financial and technical assistance programmes in the field of transport and communications, should accord priority attention to the special needs of the land-locked developing countries in extending adequate financial and technical assistance to the projects designed for the development and improvement of transport and communications infrastructure needed by these countries, in particular of the transport modes and facilities most convenient to them and mutually acceptable to the transit and the land-locked developing countries concerned, including joint projects concluded by common agreement with the transit States concerned for the establishment, expansion and/or improvement of transport and communications facilities serving the transit trade of the land-locked countries;

[Alternative (2) by Group B countries:

2. *Recommends* that the Governments of the developed countries in their financial and technical assistance programmes in the field

of transport and communications, should accord appropriate attention to the special needs of land-locked developing countries in extending adequate financial and technical assistance to projects designed for the development and improvement of transport and communications infrastructure needed by these countries, in particular of the transport modes and facilities most convenient to them and mutually acceptable to the transit and the land-locked developing countries concerned, including joint projects concluded by common agreement with the transit States concerned for the establishment, expansion and/or improvement of transport and communications facilities serving the transit trade of the land-locked countries;

2 (a) *Further recommends* that the appropriate international financial organizations be invited to give similar attention to the matters mentioned in the preceding paragraph;]

3. *Calls* on transit countries to extend their fullest possible co-operation to the formulation and execution of the projects mentioned in the preceding paragraph;

4. *Invites* the international financial institutions:

(a) To extend to the land-locked developing countries, and in the case of joint projects to the transit countries concerned, soft term and interest-free loans with a view to assisting them in overcoming the consequences of their higher transportation costs;

(b) To study the possibility of establishing a special fund designed to subsidize the additional higher transport costs incurred by the land-locked developing countries insofar as these costs result in their higher production costs and lower competitive position;

[Observation by Group B countries — delete paragraph 4.]

5. *Recommends* that transit countries should enter into consultations and negotiation with the respective land-locked developing countries, whether bilaterally or on a regional or sub-regional basis, with a view to examining jointly the special difficulties which the land-locked developing countries face in the promotion of their trade and economic development and concluding agreements designed to overcome such difficulties in accordance with the nature of each particular case and to seek mutually acceptable solutions in fields such as:

adequate and convenient inland transport facilities as well as warehousing, handling and other port services,

the use by the land-locked countries of the most convenient transit routes, transport means and other communication facilities, including the use of their own transport equipment and, where appropriate, the establishment of their own transport facilities,

defined customs storage areas in the transit ports or transshipment points where goods consigned from or to the land-locked countries could be stored with the simplest possible customs formalities,

simplifying administrative and other formalities affecting the transit trade of the land-locked countries,

granting with regard to tariffs and charges on the transit traffic the most favourable treatment applied to the transport of goods of the transit country concerned and satisfying to the maximum possible extent the needs of the land-locked developing countries for a longer-term stabilization of such tariffs and charges where such tariffs and charges apply to the transit trade of the land-locked countries;

[Alternative (5) by a number of transit countries:

Recommends that transit countries should enter into consultations and negotiations with the respective land-locked developing countries, whether bilaterally or on a regional or sub-regional basis, with a view to examining jointly the special difficulties which the land-locked developing countries face in the promotion of their trade and economic development, and concluding agreements designed to overcome such difficulties in accordance with the nature of each particular case paying special attention to the facilities requested by the land-locked countries for their transit trade, such as:

subject to availability, adequate and mutually convenient inland transport facilities as well as warehousing, handling and other port services,

use by the land-locked countries of the mutually convenient transit routes, transport means and other communication facilities,

defined customs storage areas in the transit ports or transshipment points where goods consigned from or to the land-locked countries could be stored with the simplest possible customs formalities,

simplifying administrative and other formalities affecting the transit trade of the land-locked countries,

granting with regard to tariffs and charges on the transit traffic the most favourable treatment applied to the transport of goods of the transit country concerned;]

6. *Recommends* that the Governments of countries in which the conference shipping lines and insurance companies have their seat should bring to the attention of the said lines and companies the desirability of according treatment as favourable as possible in their tariff policies to the overseas shipments of the land-locked developing countries in view of their special difficulties;

[Alternative (6) by Group B countries:

Recommends that the Governments of States members of UNCTAD invite liner conferences and equivalent organizations, directly or through the shipowners members of them and likewise insurance companies, to bear in mind in forming their respective tariff policies, the special problems of land-locked developing countries;]

7. *Calls* on the developed land-locked countries, through the exchange of information, experience, training and technical know-how, to lend special assistance to the land-locked developing countries in outlining suitable solutions to the special problems of the latter;

[Alternative (7) by some Group D countries:

Calls on the developed land-locked countries, through the exchange of information, experience, training and technical know-how, to lend, upon request through UNCTAD or other appropriate United Nations bodies, special assistance to the land-locked developing countries in outlining suitable solutions to the special problems of the latter;]

8. *Requests:*

(a) The Secretary-General of UNCTAD to establish a group of experts to carry out a comprehensive examination of the special problems involved in the promotion of trade and economic development of the land-locked developing countries, with special reference to the high costs involved in the execution of their development programmes and trade expansion programmes,

[Group B countries reserved their position on sub-paragraph (a)]

(b) The regional economic commissions concerned with the developing regions and the regional and sub-regional economic groupings of the developing countries to continue to pay special attention in their work programmes to the special problems in the field of the trade expansion and economic development of the land-locked countries — members of such regional economic commissions and regional or sub-regional economic groupings, and to give special consideration to the need of greater participation of such land-locked developing countries in regional and international trade,

(c) The Secretary-General of UNCTAD to prepare, taking into account the work done by the regional economic commissions and the regional and sub-regional economic groupings of the developing countries a comprehensive report identifying the most important special problems confronting land-locked developing countries, describing the experience gained so far in the solution of those problems and outlining further practical measures and procedures, for consideration and appropriate action by the Trade and Development Board,

[Observation by Group B countries: delete sub-paragraph (c)]

(d) The States members of UNCTAD, the regional economic commissions, the specialized agencies concerned, the economic groupings of the developing countries and other international organizations dealing with the subject to co-operate with the Secretary-General of UNCTAD by providing to the extent possible, information relevant to the preparation of the studies and reports mentioned in this paragraph,

(e) The Secretary-General of UNCTAD to follow the progress made in giving effect to the recommendations made in this resolution and to report thereon in his annual reviews of international trade and economic development to be prepared in pursuance of the Trade and Development Board's resolution 19(II);

9. *Recommends* to the Trade and Development Board to establish a standing group of all interested land-locked, transit and other countries, both members and non-members of the Board, to study the special questions relating to the trade and development of the land-locked developing countries, to consider the studies and reports mentioned above and to prepare recommendations for the Board's consideration and action.

[Alternative (9) by Group B countries:

Recommends that the Committee for Invisibles and Financing related to Trade give regular study to the special questions relating to the trade and development of the land-locked developing countries, consider the studies and report referred to in paragraph 8 (a) above and prepare recommendations as to appropriate further action.]

[Observation by a number of transit countries: delete paragraph 9]

[Observation by a number of Group D countries: add the following paragraphs in the appropriate place:

Noting that the Convention entered into force on 9 June 1967 but so far has been ratified or acceded to by only two transit States having a sea-coast,

Noting further that the Convention is open for ratification or accession without any time limit,

Invites all States to become parties to the 1965 Convention on Transit Trade of Land-locked States, to ratify it or accede to it, and to make it effective at the earliest possible date.]

Appendix II

STATEMENT OF FINANCIAL IMPLICATIONS OF THE DRAFT RESOLUTION SUBMITTED BY THE CHAIRMAN OF THE WORKING GROUPS (TD/II/WG.III/L.11)

1. Paragraph 10 (a) requests the Secretary-General of UNCTAD, in consultation with the United Nations Under-Secretary-General for Economic and Social Affairs, to establish a group of experts to carry out a comprehensive examination of, and to report upon, the special problems of the land-locked developing countries. The work of experts is estimated to require twenty-four expert-weeks with travel and other expenses connected with their meetings in the total amount of \$10,000;

2. Paragraph 10 (a) further requires that special study should be made in this examination of the transport problems, outlining possible ways by which the adverse effects of higher transportation costs on the trade position, production costs and execution of economic development programmes of the land-locked developing countries might be minimized; the background material to be prepared for the examination by the group of experts shall draw fully upon the experience and competence in this field of other

appropriate United Nations bodies, in particular the Department of Economic and Social Affairs and the regional economic commissions; the report of this expert group should describe the experience so far gained in the solution of the above mentioned problems and outline further practical measures and procedures. The maritime and port component of the background material to be prepared for the examination by the group of experts will require six man-months' work of a professional at P-4/P-5 level amounting to \$10,000 plus travel of \$3,000.

3. Paragraph 10 (a) finally requests that the background material to be prepared should draw fully upon the experience and competence in this field of other appropriate bodies, in particular the Department of Economic and Social Affairs. The above estimate does not include any additional expenditure in so far as it would be required by the Department of Economic and Social Affairs.

I. REPORT OF THE CREDENTIALS COMMITTEE

1. At its 39th plenary meeting on 2 February 1968, the United Nations Conference on Trade and Development, in accordance with rule 14 of its rules of procedure, appointed a Credentials Committee for its second session consisting of the following member States: Ceylon, Ecuador, Ireland, Japan, Madagascar, Mali, Mexico, Union of Soviet Socialist Republics and the United States of America.

2. The Credentials Committee met on 8 and 14 March 1968.

3. Mr. Sean Kennan (Ireland) was unanimously elected Chairman.

4. The secretariat informed the Committee that formal credentials issued by the Head of State or Government or by the Minister for Foreign Affairs, as required under rule 13 of the rules of procedure of the Conference, had been submitted to the Secretary-General of the Conference for the representatives of all but two member States participating in the Conference. The appointment of the representatives whose credentials had not as yet been received had been communicated to the Secretary-General of the Conference in *notes verbales* from the respective Permanent Representatives at Geneva. The Secretary-General of the Conference had addressed a communication to the Heads of the delegations in question calling their attention to the fact that proper credentials as required by rule 13 of the rules of procedure had not been received. The Secretary-General of the Conference had received assurances from those delegations that credentials in due form would be submitted at the earliest possible date.

5. The Chairman suggested that the Committee should take note of the information furnished by the secretariat and, in connexion with the credentials of representatives which had not been submitted in due form, the Chairman proposed to accept provisionally the communications received by the secretariat, on the understanding that credentials issued in conformity with rule 13 would be promptly submitted to the Secretary-General of the Conference.

6. The Committee unanimously adopted the proposals formulated by the Chairman.

7. The representative of the Union of Soviet Socialist Republics stated that his delegation did not recognize the validity of the credentials of the delegation of the Chiang Kai-shek régime, which were not in conformity with rule 13 of the rules of procedure. His delegation's position was that only the Government of the People's Republic of China had the right to represent China in the United Nations. He also stated that this delegation did not recognize the credentials of the representatives of the South Viet-Nam régime, in view of the fact that the true representative of South Viet-Nam was the South Viet-Nam National Liberation Front. The representative of the Union of the Union of Soviet Socialist Republics further

stated that his delegation did not recognize the credentials of the South Korean régime which represented no one.

8. The representative of Mali supported the statement made by the representative of the Union of Soviet Socialist Republics.

9. The representative of Japan drew attention to the text of rule 14 of the rules of procedure of the Conference concerning the terms of reference of the Credentials Committee and stated that he saw no grounds to challenge the validity of the credentials of the Republic of China, the Republic of Viet-Nam, and the Republic of Korea, which had been issued by the competent authorities of those countries in accordance with rule 13 of the rules of procedure. The representative of Ecuador concurred with that statement.

10. The representative of the United States of America endorsed the views expressed by the representative of Japan and added that the question of the representation of China in the United Nations had been decided upon on several occasions by the General Assembly, and most recently by resolution 2271 (XXII) of 28 November 1967. His delegation felt that those pronouncements of the General Assembly on the substance of the representation of China were binding upon all organs of the United Nations, including UNCTAD. The representative of the United States of America also objected to the views expressed by the representative of the Union of Soviet Socialist Republics concerning the credentials of the representatives of the Republic of Viet-Nam and Republic of Korea and stated that the representatives of those two Governments were properly accredited to the second session of the Conference.

11. The Chairman stated that all reservations expressed in the Committee would be recorded in the Committee's report to the Conference and proposed the following draft resolution for adoption by the Committee:

"The Credentials Committee,

"Having examined the credentials of the representatives to the second session of the Conference,

"Recalling the different views expressed during the debate,

"Accepts, under the terms of rule 14 of the rules of procedure, the credentials of all representatives to the second session of the Conference and recommends to the Conference that it approve the report of the Credentials Committee."

12. The representative of the Union of Soviet Socialist Republics introduced the following amendment to the resolution proposed by the Chairman:

(a) After the second preambular paragraph insert the following:

"Taking into account the proposal by the Union of Soviet Socialist Republics as regards the inadmissibility of the credentials

of the persons styling themselves ' representatives of the Republic of China, the Republic of Korea and the Republic of Viet-Nam ' ,

" *Decides* to regard as invalid the credentials of the persons styling themselves as ' representatives of the Republic of China, the Republic of Korea and the Republic of Viet-Nam ' in view of the non-compliance of those credentials with the provisions of rule 13 of the rules of procedure of the United Nations Conference on Trade and Development. "

(b) In the last paragraph, insert the word " other " between the words " all " and " representatives " .

13. The Chairman put to the vote the draft amendment submitted by the representative of the USSR. The draft amendment was rejected by 7 votes to 2,

14. The draft resolution as proposed by the Chairman was adopted by 7 votes to none, with 2 abstentions.

RECOMMENDATION OF THE CREDENTIALS COMMITTEE

15. The Credentials Committee therefore recommends to the Conference the adoption of the following draft resolution:

" Credentials of representatives to the second session of the Conference

The United Nations Conference on Trade and Development

Approves the report of the Credentials Committee. "

ANNEX VIII

Texts of proposals referred by the Conference to the Trade and Development Board

CONTENTS

	<i>Page</i>
Trends and problems in world trade and development — Impact of the regional economic groupings of the developed countries on international trade, including the trade of developing countries (agenda item 9 (d))	387
Trends and problems in world trade and development — Transfer of technology, including know-how and patents (agenda item 9 (h))	387
Commodity problems and policies (agenda item 10)	389
A programme for the liberalization and expansion of trade in manufactures and semi-manufactures (including processed and semi-processed primary products) of interest to the developing countries (agenda item 11 (c))	400
Measures for the promotion, expansion and diversification of exports of manufactures and semi-manufactures from developing countries; co-operation with the United Nations Industrial Development Organization (UNIDO) aimed at the establishment and expansion of export-oriented industries in developing countries: other forms of economic, industrial and technical co-operation (agenda item 11 (d))	402
Growth, development finance and aid (synchronization of international and national policies) (agenda item 12)	403
General review of the work of UNCTAD (agenda item 16)	407

Trends and problems in world trade and development — Impact of the regional economic groupings of the developed countries on international trade, including the trade of developing countries (agenda item 9 (d))

At its 76th plenary meeting, held on 25 March 1968, the Conference decided to transmit the draft resolution under agenda item 9 (d) contained in annex I to the report of the Fifth Committee (see annex VII of the report of the Conference) to the Trade and Development Board for consideration. The text of the draft resolution is given below:

IMPACT OF THE REGIONAL ECONOMIC GROUPINGS OF THE DEVELOPED COUNTRIES ON INTERNATIONAL TRADE, INCLUDING THE TRADE OF DEVELOPING COUNTRIES

Draft recommendation submitted by Bulgaria

The second session of the United Nations Conference on Trade and Development,

Having examined the question of the incidence of the regional economic groupings in the developed countries on international trade and particularly on the trade of the developing countries,

Noting that the activities of certain groupings and the common policies and measures carried out by them have a negative impact on the trade of third countries, including a significant number of developing countries,

Taking into account the substantial influence of the common policies and measures undertaken within the

framework of certain groupings on international commodity markets,

Aware of the desirability to establish a constructive dialogue between countries participating in such groupings and countries concerned by their measures with the view to reaching mutually acceptable solutions,

1. *Appeals* to the developed countries participating in regional economic groupings to take fully into account in carrying out their common policies and practical measures the interests of third and especially developing countries;

2. *Requests* the Secretary-General of UNCTAD to prepare in the light of paragraph 1 above reports and studies on new developments, related to the incidence of the regional economic groupings of the developed countries on trade of all countries, paying attention in particular to trade problems of the developing countries;

3. *Asks* the Trade and Development Board to examine periodically, on the basis of these reports and studies, the questions of the impact of the regional economic groupings of developed countries on world trade and to formulate practical proposals in this field.

Trends and problems in world trade and development — Transfer of technology, including know-how and patents (agenda item 9 (h))

At its 75th plenary meeting, held on 25 March 1968, the Conference decided to transmit the draft resolution

contained in document TD/L.24 to the Trade and Development Board for consideration at its seventh session. The text of the draft resolution is given below:

TRANSFER OF TECHNOLOGY,
INCLUDING KNOW-HOW AND PATENTS

Draft resolution submitted by Brazil, Chile, India and Pakistan

The United Nations Conference on Trade and Development,

Reaffirming the recommendations contained in annex A.IV.26 to the Final Act adopted at its first session,

Taking note with satisfaction of General Assembly resolutions 2082 (XX) of 20 December 1965 and 2318 (XXII) of 15 December 1967 endorsing the objectives of the world plan of action proposed by the Advisory Committee for the Application of Science and Technology to Development in its third report,¹

Considering the related recommendations embodied in General Assembly resolution 2091 (XX) of 20 December 1965 and Economic and Social Council resolution 1201 (XLII) of 26 May 1967 on the transfer of technology to developing countries,

Taking note of the report by the United Nations Department of Economic and Social Affairs on progress in giving effect to these resolutions,²

Taking note further of the study on "The transfer of technology to developing countries, with special reference to licensing and know-how agreements,"³ prepared by a team of consultants at the request of the Secretary-General of UNCTAD,

Considering the role which patented and non-patented technological and managerial know-how can play in the social and economic development of developing countries,

Emphasizing the importance of international co-operation in the economic scientific and technical fields in furthering technological progress in developing countries,

Recognizing the vital importance to developing countries of securing effective access to appropriate technology and of developing their own research and inventive capacity on a scale sufficient to permit these countries to participate fully in the process of creating modern technology,

Recognizing also the growing strain on the balance of payments of developing countries caused by payments for patented and non-patented technical know-how,

Recognizing further that every country has the right to exploit all forms of technology in the interest of the social and economic development of its people,

Recommends that:

I

The Trade and Development Board, after obtaining the views of the Economic and Social Council, consider at its seventh session the establishment of an inter-govern-

mental committee to examine the over-all question of "Transfer of Technology" to developing countries, with the functions specified hereunder:

(a) To review on a co-ordinated basis activities and developments in the field of Transfer of Technology and particularly ways and means by which technology and know-how can be transferred on reasonable terms from developed to developing countries;

(b) To study the cost and burden of transfer of technology on the balance of payments;

(c) To study the effects of existing international legislation for the protection of industrial property on the economic development of developing countries;

II

The proposed committee, with a view to avoiding duplication, should co-operate with other United Nations bodies and inter-governmental and non-governmental organizations engaged in the promotion and application of science and technology to development and specially take into account the work done by the Advisory Committee on the Application of Science and Technology to Development;

III

The proposed committee should in the exercise of its functions keep under its continuous review the implementation of the following recommendations and should report from time to time the progress of its work to the Economic and Social Council and other United Nations bodies.

A. *Developed countries* should encourage and assist the holders of patented and non-patented technology:

(a) To facilitate the transfer to developing countries of technology both patented and non-patented, including new technology, on reasonable terms;

(b) To facilitate the outright purchase by developing countries of technology appropriate to the needs of their countries;

(c) To refrain from imposing in the transfer agreements any undue restrictions on exports by the developing countries of the resultant products;

(d) To refrain from imposing such conditions on the supply of plant and machinery and on the transfer of technical processes as would retard the development of indigenous manufacture and technology;

B. In accordance with the recommendations of the United Nations Advisory Committee on the Application of Science and Technology to Development, *the United Nations and its specialized agencies* should provide to the developing countries assistance in:

(a) Setting up expeditiously "Technology Transfer Centres" on a national and regional basis;

(b) Drawing up model agreements for the transfer of technology;

(c) Acquiring the latest technology in such areas of critical social and economic importance as food, agriculture and public health;

(d) Acquiring and developing the peaceful application of nuclear energy in such fields as power generation, water

¹ See *Official Records of the Economic and Social Council, Forty-first Session, Supplement No. 12*, paras. 12-17.

² TD/37 and Corr.1.

³ TD/28 and Supp.1 and Supp.1/Corr.1.

desalination, civil engineering projects and exploration of minerals, gas and petroleum sources;

C. The *Advisory Committee on the Application of Science and Technology to Development* should expedite the completion of the pilot case studies in progress on arrangements between enterprises (public and private) for the transfer of technology to the developing countries;

D. *Developing countries*, with the assistance, as appropriate, of the developed countries and the United Nations and its specialized agencies, should:

(a) Set up appropriate national and regional centres for providing guidance on the technology most suited to the needs of their enterprises;

(b) Whenever possible, purchase technology outright so as to ensure its availability to their enterprises;

(c) Jointly investigate and explore possibilities of outright purchase or licensing of imported technology and patented know-how for the common needs of their industrial development on a suitable participation basis;

(d) Associate their scientists and technologists from the earliest stages in the process of transfer of technology, so that technology is absorbed within indigenous research and development, and utilized in the most efficient and economic manner;

(e) Exchange scientific and technical information and assist in the transfer *inter se* of tried out indigenous technology;

IV

The *United Nations Development Programme* should give its full support to:

(a) Pre-investment activities concerning the transfer of technology, as enumerated above; and

(b) Technical assistance on specific requests from the Governments of the developing countries.

Commodity problems and policies

(Agenda item 10)

At its 77th plenary meeting, on 26 March 1968, the Conference decided to transmit the draft proposals contained in parts two, three and four of document TD/L.29, and Corr.1 to the Trade and Development Board for consideration at its seventh session. These draft texts are given below:

Part two

PROPOSALS NOT AGREED IN THEIR ENTIRETY

6. Buffer stocks

The Conference agrees that:

1. Buffer-stock techniques as a measure for market stabilization should, where appropriate, be one of the methods adopted for international commodity arrangements;

2. A buffer stock should be equipped with adequate funds, through a regular income so long as this is required, so as to be in a position to play its full role in market stabilization;

3. This regular income should be provided in a form that is equitable for all parties concerned, and which does not impose an excessive burden on developing countries.

On the other hand, the Conference was unable to agree on the following:

(a) The principle of market intervention by a buffer stock;

(b) The sources of pre-financing of a buffer stock.

As regards 3 (a) the proposals of developing countries, supported by the socialist countries of Eastern Europe and by some developed market-economy countries were:

1. Buffer stocks should be given the largest flexibility of operation in order to be able to intervene in the markets wherever and whenever it is necessary for the defence of the minimum and maximum prices at any time these prices are threatened by current trends.

2. This intervention of the buffer stock should take place in every sector of the market, be it "spot" or "futures" market in order to bring its full stabilizing impact to bear.

Developed market-economy countries made the following proposals in this respect:

1. A buffer stock should be given appropriate flexibility, taking account of other techniques of stabilization adopted and of its available resources for the defence of the minimum and maximum prices at any time these prices are threatened by current trends.

2. It is not excluded *a priori* that the buffer stock should be enabled to intervene in the market in accordance with the conditions set out in the particular agreement and under the control of the international council in question and without prejudice to the sound management of the buffer-stock resources.

As regards 3 (b) (sources of pre-financing), the proposals of developing countries, supported by the socialist countries of Eastern Europe, were:

1. With regard to pre-financing of buffer stocks international financing organizations must be made capable of ensuring that sufficient resources will be available whenever the situation may so require.

2. In addition to having international financing organizations as the main source for the pre-financing of buffer stocks, the possibility of having voluntary contributions from developed countries should not be excluded.

In addition, the following proposal was made by developing countries:

Pending the completion of the study by the International Monetary Fund and the International Bank for Reconstruction and Development on the stabilization of primary commodity prices feasible buffer-stock schemes for particular commodities should have adequate pre-finance support from the developed countries and from international financial institutions.

Developed market economy countries proposed the following text:

If pre-financing of buffer stocks is necessary, all possibilities should be considered, including private sources of capital, international financing organizations or voluntary

contributions by governments under the form of loans or any other form.

Developing countries also made the following proposal: The cost of financing the existing buffer stock should be borne equitably by the producing, developing and the consuming developed countries.

This proposal was not accepted by developed market-economy countries and socialist countries. The developed market-economy countries explained that they considered that this matter had already been negotiated and decided in the third International Tin Agreement and that it should not be re-opened during the Conference.

7. Synthetics and substitutes

The Conference agrees that:

1. Developed and developing countries and inter-governmental organizations should endeavour to implement the recommendations adopted by the first session of the United Nations Conference on Trade and Development in annex A.II.7.⁴ of the Final Act, as far as they may be concerned.

2. They should take account, in connexion with the marketing of synthetic products, of the provision of Special Principle Nine⁵ in the Final Act of the first session of the Conference, concerning dumping, taking into account also the obligations of some countries regarding the definitions and requirements of the General Agreement on Tariffs and Trade, article VI and the GATT Anti-Dumping Code.⁶

3. In their financial and technical assistance programmes the developed countries should give sympathetic consideration to requests for assistance for developing countries producing natural products which suffer serious competition from synthetics and substitutes, in order to help them to diversify into other areas of production, including processing of primary products.

4. The UNCTAD secretariat, in conjunction with the competent specialized agencies, GATT and the appropriate commodity groups, should collate information and undertake studies for the purpose of promoting markets for natural products, particularly with respect to (a) areas of complementarity between natural products and synthetics, and (b) tariff and non-tariff barriers including internal charges affecting trade in natural products, in the raw, semi-processed and processed form.

5. The Permanent Group on Synthetics and Substitutes should:

(a) Play a greater role in co-operation with the international agencies, study groups and commodity councils concerned, in analysing the special problems faced by the various primary commodities exported by developing countries, due to competition from synthetics and substitutes and in recommending appropriate remedial action;

(b) Take account in its work of the means of facilitating the application of recommendations formulated by the first session of the Conference in recommendation A.II.7, particularly sub-paragraphs 1 (vi), (ix) and (x) and the recommendations of the second session of the Conference;

(c) Encourage contacts between the producers of synthetics and the producer of natural products;

(d) Keep under review, in co-operation with commodity groups and other relevant international agencies, the production and plans for future production of synthetics;

(e) Meet regularly and submit a report on its activities to each session of the Committee on Commodities.

6. Member Governments should prohibit the representation of a synthetic or substitute product as though it were a natural product.

On the other hand the Conference was unable to agree on:

(a) The effect of synthetics on the world market for natural products;

(b) The principle of the restriction of production of synthetics and substitutes which compete directly with natural products;

(c) The improvement of access to markets for natural products facing competition from synthetics and substitutes;

(d) The financing of research to improve the competitiveness of natural products.

As regards 6 (a) developing countries proposed the following text:

The expansion and promotion of synthetics and substitutes in developed countries has contributed to a shrinkage in the share of markets and to falling prices for competing natural products produced by developing countries.

The developed market economy-countries were prepared to accept the above text provided that reference was also made to the effects of production of synthetics in developing countries.

As regards 6 (b) (restriction of production of synthetics), developing countries proposed the following text:

The Conference recognizes the need for discouraging the creation and utilization of production capacity for those synthetics and substitutes in developed countries which directly compete with natural products, particularly when world market requirements can be fully met by the latter and urges the developed countries to take whatever measures are practicable to this end.

Some socialist countries of Eastern Europe were prepared to accept the above text provided that the word "uneconomic" was inserted before the words "production capacity" and provided the words "in competitive conditions" were inserted after the words "can be fully met".

The developed market-economy countries proposed the following alternative text:

The Conference urges governments and producers of synthetics to bear in mind, when taking decisions concerning the creation and use of synthetic products, the desirability of taking due account of the balance between supply

⁴ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 32 and 33.

⁵ *Ibid.*, p. 23.

⁶ See *Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade* (GATT, *Legal instruments embodying the results of the 1964-1967 Trade Conference*, vol. V).

and demand. The Conference further recognizes that where natural products are able to satisfy present and anticipated future national demands in a particular use, it is desirable, in principle and in the context of national policies, that no special encouragement should be given to the production of directly competing synthetics. Appropriate action should be taken, as far as practicable, to improve the competitiveness of natural products and to study all possibilities of complementarity between natural products and synthetics.

With regard to 6 (c) (improvement of access to markets), developing countries proposed the following text:

Developed countries should progressively remove tariff and non-tariff barriers against natural products, particularly differential tariffs on semi-processed and processed forms, which face serious competition from synthetics and substitutes. Such natural products in their raw, semi-processed and processed forms, should be accorded preferential treatment in the markets of developed countries vis-à-vis synthetics and substitutes originating in developed countries.

The developed market-economy countries proposed the following alternative text:

Developed countries should consider measures to reduce progressively, as far as possible, tariffs on natural products in primary or processed form which face excessive competition from synthetics and substitutes.

As regards 6 (d) (financing of research), developing countries proposed the following text:

The Conference agrees that a Special Fund should be set up under UNCTAD auspices devoted to research for improvement in market conditions, cost efficiency and diversification of end-uses in respect of natural products which are threatened by competition from synthetics and substitutes. A Working Group should be set up to work out the details regarding the constitution and operation of the Special Fund.

The developed market-economy countries proposed the following alternative:

The Conference request the Permanent Group on Synthetics and Substitutes to study ways and means of promoting scientific research and the improvement of market conditions, cost efficiency and the diversification of end-uses in respect of natural products which are threatened by competition from synthetics and substitutes.

The socialist countries of Eastern Europe proposed the following text:

The Conference stressed the importance of organizing under the auspices of UNCTAD, continuous research on a commodity-by-commodity basis of the problems of improvement in market conditions, cost efficiency and diversification of end-uses in respect of natural products which were threatened by competition from synthetics and substitutes. The Conference urged the Committee on Commodities to utilize for this purpose to the maximum possible extent the existing machinery of various international organizations and study groups.

8. Diversification

The Conference,

Recognizing that diversification constitutes an essential element in the process of economic development of developing countries, and with a view to accelerating this process,

Agrees that:

1. Diversification should be both horizontal into other products and vertical into the semi-processed and processed forms for export and domestic consumption.

2. Taking into account the basic need of each country for balanced economic development such diversification programmes should aim at:

(a) The expansion of production of semi-manufactures and manufactures in developing countries;

(b) The increase in export of semi-processed and processed commodities by these countries;

(c) The broadening of the pattern of exports in favour of commodities with relatively dynamic demand conditions on the world market;

(d) The increase of food production in food-deficient countries.

3. Diversification programmes should be one of the means of correcting the deficiencies of the existing economic structures. For commodities produced wholly or mainly in developing countries and not facing competition from synthetics and substitutes, diversification programmes should be an integral part of any accepted scheme for production control that is adopted in the context of international commodity arrangements for commodities in structural over-production.

4. Developed countries and the appropriate international financial institutions, including regional development banks, should give increased attention in their current assistance programmes to the diversification problems of the developing countries in order to supplement the resources provided by the developing countries themselves. Specific funds for diversification should be one of the features of commodity arrangements, wherever it is considered necessary.

5. Highest priority should be given to diversification in the programmes at inter-regional, regional and sub-regional levels in the process of trade expansion and economic integration among developing countries.

6. In order to assist in the formulation of diversification programmes, the Secretary-General of UNCTAD, in co-operation with the appropriate specialized agencies and other international bodies, including regional development banks, should make detailed proposals to the Committee on Commodities for studies on the diversification problems relevant to a certain number of commodities facing excess supply in the world market or competition from synthetics and substitutes.

7. For the successful implementation of diversification programmes effective measures should be adopted for the stabilization of prices at remunerative and equitable levels.

On the other hand, the Conference was unable to reach agreement on:

(a) Modifications of production policies;

(b) Improved access to markets.

As regards 7 (a), the developing countries proposed the following:

For commodities facing competition from synthetics and substitutes, diversification programmes should be used:

1. In developing countries to enhance the vertical diversification for such products.

2. In developed countries, to adjust the production pattern of synthetics and substitutes so as to reduce competition with the natural products.

3. For commodities produced in substantial amounts both in developed and developing countries, it is necessary that developed countries adjust the scope and extent of their economic activities in order to increase the export earnings of these products efficiently produced by developing countries.

4. Developed countries should refrain from creating additional capacity of processing industries established primarily to process raw materials imported from developing countries, and eventually enable the processing to be carried out completely in the developing countries.

The developed market-economy countries proposed the following text:

1. For commodities facing competition from synthetics and substitutes, and for commodities produced in substantial amounts in both developed and developing countries, diversification programmes should be used, in developing countries, to promote vertical diversification for these products to improve the competitive position of the natural product, to devise new uses leading to the creation of additional outlets, to promote research and to encourage the use of modern trading methods.

2. Certain readjustments in the structure of industry in developed countries may be necessary as a result of vertical diversification in developing countries. The Conference considers that the local processing of commodities will be encouraged by a general world expansion in the consumption and use of, and trade in, both raw materials and manufactured products derived from them, and by better co-operation between industries in the developed and developing countries in the field of semi-processed products.

The socialist countries of Eastern Europe proposed the following text:

For commodities facing competition from synthetics and substitutes and commodities produced in large quantities both in developed and in developing countries diversification programmes should be used:

1. In developing countries to intensify the vertical diversification of such products.

2. In developed countries with market economies, in the socialist countries of Eastern Europe and in developing countries, account should be taken in national policies in respect of industry and trade of the likely effects of synthetics and substitutes production on possibilities for marketing natural products from developing countries.

As regards 7 (b) (access to markets), developing countries proposed that:

For the successful implementation of diversification programmes effective measures should be adopted for increased access to the markets of developed countries for products of interest to developing countries, in particular in their semi-processed and processed forms.

The developed market-economy countries proposed the following text:

The success of diversification programmes would be strengthened in certain cases by:

1. Increased possibilities of access to markets of developed market-economy and centrally-planned economy countries.

2. Increased possibilities of access to other developing countries.

The socialist countries of Eastern Europe proposed the following text:

To ensure the success of diversification programmes:

1. Effective measures should be taken to achieve easier access to the markets of developed countries with market economies for products of interest to developing countries, particularly semi-processed and processed products.

2. The socialist countries of Eastern Europe should continue, by such ways and means as are appropriate to them, to increase their imports of the products in question.

* * *

Part three

PROPOSALS ON WHICH NO AGREEMENT WAS REACHED

9. Pricing policy

The Conference,

Agrees on the desirability of a set of general principles on pricing policy which would serve as guidelines in the inter-governmental consultations and actions to be taken with regard to stabilizing the markets for individual commodities, but was unable to reach agreement on the specific principles involved.

Developing countries proposed the following text:

The Conference agrees to establish a set of general principles on price policy which will serve as guidelines in the inter-governmental consultations and actions to be taken with regard to individual commodities to apply stabilization techniques and other arrangements in the international markets of such commodities.

I. Objectives

The main objective of pricing policy for commodities produced by developing countries should be to secure remunerative, equitable and stable price levels in order to contribute to the achievement of the over-all targets of economic development of developing countries such as set by the General Assembly of the United Nations and by UNCTAD. For these purposes the following requirements should be met:

(a) The prices of commodities should not be allowed to deteriorate further and should, where possible, be improved;

(b) Excessive fluctuations in price should be eliminated;

(c) The prices of commodities should lead to a satisfactory margin of remuneration for the producer so as to enable him to increase his productivity and to maintain fair labour standards while achieving higher standards of consumption and savings;

(d) The prices of commodities should provide to the Governments of the producing countries the financial resources that will enable them to implement an economic policy including a commodity policy that contributes to the promotion of over-all development;

(e) The prices of commodities should contribute to the attainment of export earnings that maintain and increase the purchasing power of the products exported by developing countries in relation to their essential imports from developed countries.

II. Operational guidelines

(a) In those commodities where minimum prices are agreed upon, in the context of a commodity arrangement, developed importing countries should share the burden of supporting such minimum prices by appropriate means;

(b) In the case of non-renewable primary commodities the price level should be such as to encourage the further exploration and development of new supplies and ensure an increase in the real income of the producing developing countries of these commodities;

(c) Prices established in international arrangements or consultations should be fixed for a sufficiently long period so as to ensure a reasonable predictability in the export earnings of developing countries; and to constitute an element of an action-oriented programme designed, when so agreed upon, to correct structural as well as cyclical disequilibria;

(d) The price should permit the progressive diversification, when applicable, of the pattern of production in developing countries. Price policies should be applied in combination with appropriate measures that will maintain production trends that permit an effective balance between supply and demand.

Differing views were expressed by the developed market-economy countries. A group of them submitted an amended text as follows:

The Conference agrees to establish a set of general principles on price policy which will serve as guidelines in the inter-governmental consultations and actions to be taken with regard to individual commodities with a view to applying stabilization techniques and concluding other arrangements in the international markets of such commodities.

I. Objectives

The main objective of a pricing policy for commodities produced by developing countries should be to secure stable price levels remunerative for the producer and equitable for the consumer in order to contribute to the achievement of the over-all targets of economic development of the developing countries as set by the General Assembly of the United Nations and by UNCTAD. In this context, the price levels of these products should not be such as to

encourage either structural over-production or resort to substitute products. To this end:

1. The prices of commodities should not be allowed to deteriorate further and should, where possible, be improved.

2. Excessive fluctuations in price should be eliminated.

3. The prices of commodities should allow the producer a sufficient income to encourage increased productivity and the maintenance of fair labour standards while raising the levels of consumption and savings.

4. The prices of commodities should provide the producing countries with financial resources to help them to implement a policy of economic expansion, including a commodity policy contributing to the promotion of over-all development.

5. The prices of commodities should help to ensure that the developing countries' export earnings are sufficient to maintain and increase their imports of capital goods.

II. Operational Guidelines

1. With regard to commodities for which price ranges have been agreed upon in the context of an international agreement, all the participating countries should co-operate in defending such price ranges.

2. In the case of non-renewable primary commodities (minerals) the price level should be such as to encourage the further exploration and development of new supplies and to ensure an increase in the income of the developing countries producing these commodities.

3. The price mechanism established in international consultations or arrangements should remain in force for a sufficiently long period to permit (i) reasonable predictability as to the export earnings of developing countries; and (ii) the implementation of an action-oriented programme designed to correct instances of structural disequilibrium.

4. Prices should permit the progressive diversification, when applicable, of the pattern of production in developing countries.

One developed market-economy country proposed the following amendments to the preceding text:

I. Objectives

Main paragraph: delete "for commodities produced by developing countries", and first sentence after "equitable to consumers"; delete "in order to" and begin new sentence, "Such price levels would contribute, etc."

Sub-paragraph 5: begin sub-paragraph with "Consistent with sub-paragraph 4 the prices, etc."

II. Operational guidelines

Sub-paragraph 2: insert "countries, including", after "in the revenue of".

Sub-paragraph 3: replace "developing" in point (i) by "exporting".

Sub-paragraph 4: add "and other exporting countries".

Two other developed market-economy countries submitted the following text:

The Conference agrees to enunciate a series of general principles relating to price policy. These principles could be considered in inter-governmental consultations with respect to the application of stabilization techniques or conclusion of commodity arrangements, having due regard to the characteristics of each commodity and underlying market forces.

I. Objectives

A major objective of price policy for primary commodities, particularly for those coming from the developing countries, should be the promotion of stable price levels that would be generally remunerative to producers and equitable to consumers. This would, within the context of a liberal trading environment, enable the developing countries to expand their total export earnings and assist in achieving the objectives as a whole of the economic expansion of the developing countries — as defined by the General Assembly and UNCTAD. These price levels should neither be so low as to discourage generally efficient producers, or so high as to lead to structural over-supply as well as recourse to substitutes and synthetics. It should also not provide a disincentive to healthy diversification of the economy of producing countries.

To this end and subject to the foregoing considerations the following objectives should be sought in so far as possible and appropriate to the product in question:

1. Where prices of primary commodities are clearly not reasonably remunerative to producers, appropriate efforts should be made to strengthen such prices to the greatest extent possible.
2. Excessive price fluctuations should be eliminated.
3. Product prices should take into account the need to stimulate producers to increase productivity and to realize sufficient income from production and exports to enjoy satisfactory levels of consumption and savings.
4. Product prices, *inter alia*, should contribute to providing producing countries with financial resources necessary to implement a policy of economic expansion including a commodity policy that helps over-all development.
5. The prices of commodities should contribute to a dynamic and steady growth in the export earnings of the developing countries so as to provide them with increasing foreign exchange receipts to finance their economic and social development.

II. Practical aspects of application

1. For primary commodities where a price range has been agreed to in the context of an international agreement, all participating countries should comply with the obligations specified in the agreement to defend the price range.
2. In the case of non-renewable primary products, prices should be sufficient to encourage necessary exploration, and new production competitive with synthetics and substitutes so as to contribute to the continuing growth of the real income of the producing country while at the same time safeguarding the interests of consumers.

3. Price ranges, where established within the framework of international commodity arrangements, should remain in force for a sufficiently long period.

(a) To provide greater predictability of export receipts of developing countries;

(b) To assist in the formulation and development of programmes designed to correct structural disequilibrium.

4. Prices should contribute to the diversification necessary to assure a more rational utilization of resources in developing countries.

* * *

10. Liberalization of trade and access to markets

The Conference

Recognizes the desirability of adopting concrete measures on trade liberalization as a means of increasing the export earnings of developing countries, but has been unable to agree on the specific forms of such measures.

The developing countries proposed the following text:

A. Standstill:

No new tariff and non-tariff restrictions should be introduced by developed countries and those introduced since the first session of the United Nations Conference on Trade and Development should be eliminated by 31 December 1968.

B. Immediate implementation of Kennedy Round offers:

The tariff reductions offered during the Kennedy Round of negotiations on primary products of export interest to developing countries should be implemented without phasing and without reciprocity in favour of all developing countries.

C. Specific measures to guarantee access:

1. Where products of developing countries compete with the domestic production of developed countries, the latter should allocate a defined percentage of their consumption of such products to developing countries: in any case a substantial share of any increase in domestic demand for primary commodities in the developed countries should be reserved for the output of the developing countries. This allocation should be arrived at on a country-by-country and commodity-by-commodity basis, through multilateral negotiations.

2. Developed countries should agree to establish maximum ratios of domestic production so as to guarantee to developing countries adequate conditions of access for their exports.

3. Centrally-planned economy countries should announce a specific target for imports from developing countries as their contribution to these negotiations.

D. Removal of barriers and other measures for improvement of access:

Without prejudice to the provisions of paragraphs 3, 4 and 6 of part II, A of recommendation A.II.1⁷ of the Final Act of the first session of the Conference, negotiations

⁷ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 29 and 30.

on a non-reciprocal basis shall commence before the end of 1968 for the removal of trade barriers to the imports of primary commodities from developing countries, on the basis of the following ground rules:

1. All tariffs applied by developed countries to primary commodities including processed and semi-processed primary commodities originating exclusively in developing countries, should be removed.

2. In the case of other primary products, including processed and semi-processed primary commodities, of export interest to developing countries, substantial reduction in, and wherever possible, elimination of all tariffs shall be offered.

3. Offers shall be made by developed countries for reduction and ultimate elimination of internal taxes and fiscal charges on all primary products, including semi-processed and processed primary products, imported from developing countries.

4. Pending the elimination of such taxes and charges, offers shall be made for their partial refund, to lead progressively on an annual basis, to full refund.

5. The negotiations should also cover the phasing out and eventual elimination of the existing quantitative restrictions and other non-tariff barriers.

6. Differential treatment between primary products in their natural and in their semi-processed and processed forms should be eliminated.

7. Offers should also be made for the implementation of section C above.

The Secretary-General of UNCTAD is requested, in consultation with the specialized agencies and inter-governmental organizations concerned, to make arrangements for the earliest possible commencement of the negotiations.

E. Machinery:

The Committee on Commodities is specifically requested to initiate intensive inter-governmental consultations for the implementation of the above action programme. For this purpose, the Secretary-General of UNCTAD should present detailed proposals to the third session of the Committee on Commodities.

F. Preferences

The Conference,

Considering the need to implement paragraphs 3, 4 and 6 on transitional arrangements of part II.A of recommendation A.II.1 concerning the elimination of preferences, adopted unanimously at the first session of the Conference,

Noting that the abolition of preferences requires that the developed countries grant equivalent advantages to the countries which at present enjoy such preferences; noting that the developed countries have not so far taken effective measures for the implementation of this recommendation,

Considering that, in the case of certain commodities the special references in force could be reduced or even abolished through international agreements,

Decides

1. To request the Secretary-General of UNCTAD to carry out, in co-operation with the Governments and agencies concerned, a study on the effects of special preferences on the economies of developing countries at present enjoying them;

2. To request the Secretary-General of UNCTAD to carry out studies on a commodity-by-commodity and country-by-country basis concerning the international measures required to ensure to developing countries at present enjoying such preferences advantages at least equivalent to any losses resulting from their abolition;

3. To set up a study group as soon as possible to consider the results of the above-mentioned studies and report on them to the fourth session of the Committee on Commodities, for appropriate action in order to implement paragraphs 3 and 6 of part II.A of recommendation A.II.1 of the first session of the Conference before the end of the United Nations Development Decade.

The socialist countries of Eastern Europe proposed to delete section C.3 from the above text and to substitute for it the following:

The socialist countries of Eastern Europe should:

1. (a) Refrain from taking any measures which would adversely affect the expansion of imports from the developing countries;

(b) Take duly into consideration the trade needs of the developing countries in their long or short agreements or contracts, so that it would result in a steady growth of their imports of primary products and semi-processed products from the developing countries and would constitute a proportion of growing importance in their total imports;

(c) Grant, in all matters affecting decisions relating to imports from developing countries and within the framework of their trade system, such favourable terms which would result in further expansion of imports from those countries.

2. Developing countries for their part should accord to the socialist countries of Eastern Europe conditions of trade not less favourable than those granted to the developed market-economy countries.

Differing views were expressed by the developed market-economy countries. Two of them proposed the following amendments to the text of the developing countries:

The Conference,

Recalling recommendation A.II.1 of the first session of the Conference,

Noting that inadequate progress has been made in achieving the objectives of that recommendation,

Recognizing the need for a more vigorous effort to liberalize existing restrictions which adversely affect developing countries' export earnings of primary products,

Agrees to undertake the following programme of action:

1. *Standstill*

The developed countries to the fullest extent possible should support the following:

(a) No new tariff or non-tariff barriers should be created (or existing barriers increased) by developed countries against imports of primary products of particular interest to developing countries.

(b) The Secretary-General of UNCTAD should submit to the third session of the Committee on Commodities a comprehensive list of tariff and non-tariff restrictions introduced by developed countries affecting such products between the first and second sessions of the Conference. The Secretary-General of UNCTAD should seek the collaboration of the Director-General of the General Agreement on Tariffs and Trade in compiling this information.

(c) The Committee on Commodities, at its third session, should consider in the light of the information submitted by the Secretary-General of UNCTAD, the feasibility of setting specific early target dates for the elimination of restrictions inconsistent with the standstill recommendation of the first session of the Conference. A case-by-case examination of restrictions affecting primary products of major interest to developing countries may increase the prospect of joint action by the developed countries concerned.

2. Access

(a) Governments should accord high priority to the reduction of trade barriers affecting the exports of developing countries. The most fruitful approach is case-by-case examination of particular commodity situations.

(b) Action to increase access to markets should be undertaken as an international co-operative endeavour wherever possible. Governments should, however, take individual action when possible for them to do so and when such action is consistent with their obligations under GATT.

(c) Where trade barriers are a reflection of domestic support policies, Government should review and, to the extent possible, adjust their methods of support so as to limit the trade restricting effects.

(d) Where a Government of a developed country directly or indirectly determines the resale prices of products wholly or mainly produced in the developing countries, they should make every effort to maintain trade margins at equitable levels.

(e) Centrally-planned economy countries should announce a specific target for imports from developing countries.

3. Fiscal charges

(a) The developed countries should, to the maximum extent possible, refrain from imposing new fiscal measures on products currently or potentially of particular export interest to developing countries, and give high priority to the reduction and elimination of such charges which hamper significantly the growth of consumption of primary products, in raw or processed form.

(b) In cases where early reduction or elimination of such existing fiscal charges may not be feasible, the developed countries applying such charges should give urgent consideration to contributing the funds thus received to development funds operating for the benefit of the countries exporting the product in question, including, where applicable, diversification funds.

4. Market sharing

(a) In cases where developed countries apply — consistent with international undertakings — quantitative

restrictions on primary products of particular interest to developing countries, they should consider on a case-by-case basis the possibility of allowing external suppliers to participate appropriately in the increased consumption.

(b) The Secretary-General of UNCTAD should prepare a survey of the extent to which this practice is currently being applied and submit to the Committee on Commodities suggestions with respect to particular products where its wider application could be expected to provide significant new trade opportunities for developing countries.

5. Preferences

(a) Requests the Secretary-General of UNCTAD to carry out, in co-operation with the Governments and agencies concerned, a study on the effects of special preferences on the economics of countries at present enjoying them.

(b) Requests the Secretary-General of UNCTAD to carry out studies on a commodity-by-commodity and country-by-country basis concerning the measures which would be required in the event of the phasing out of these preferences to ensure the developing countries enjoying such preferences the effective application of international measures *pari passu* providing at least equivalent advantages for such countries.

A group of other developed market-economy countries submitted the following text:

The Conference,

Recalling recommendation A.II.1 of the first session of the Conference,

Noting that the progress made in the context of that recommendation has not stimulated trade to a degree commensurate with the expectations of the developing countries,

Considering the desirability of more resolute action to reduce or eliminate, wherever possible, restrictions which adversely affect developing countries' export earnings from primary products,

Recognizing that such measures can be considered by each country only in the context of a case-by-case study and to the extent compatible with their prior international obligations,

Recommends that the Governments of the States members of UNCTAD should, inasmuch as each is concerned, give all possible support to the following programme, in the context of recommendation A.II.1 of the first session of the Conference:

A

1. The Governments of the States members of UNCTAD should strive not to increase the existing obstacles to the export of primary products of particular interest to developing countries and not to create new ones.

B

2. Governments should seek to reduce trade barriers or measures of equivalent effect which hamper the export of primary products from the developing countries. The most effective method would be to examine case-by-case the situation of the products in question.

3. Action to improve conditions of access to markets should be undertaken as an international co-operative endeavour wherever possible. Governments should, however, take independent action when possible and when such action is consistent with their obligations under GATT.

4. The tariff reductions offered during the Kennedy Round on primary products of export interest to developing countries should be applied to all those countries, without phasing and without reciprocity.

5. When Governments directly or indirectly determine the retail prices of goods wholly or mainly produced by the developing countries, they should make every effort to maintain trade margins at equitable levels.

6. The Governments of centrally-planned economy countries should announce specific targets for imports from developing countries.

C

7. Governments should, as far as possible, refrain from introducing new fiscal measures affecting primary products currently or potentially of particular export interest to developing countries. Moreover, Governments should consider the possibility of envisaging the reduction of levies which may in effect have hampered the growth of consumption of a given commodity.

D

8. The Secretary-General of UNCTAD is requested to carry out, in co-operation with the Governments and agencies concerned, a study of the effects of preferences on the economies of countries at present enjoying them.

9. The Secretary-General of UNCTAD is requested to carry out studies on a commodity-by-commodity and country-by-country basis concerning the measures required to ensure the developing countries enjoying such preferences the effective application of international measures providing at least equivalent advantages.

* * *

11. Disposal of surpluses and strategic reserves

The Conference was unable to agree on proposals on this subject. The following text was submitted by the developing countries:

1. Disposal of production surpluses or strategic reserves should not adversely affect:

(a) The exports of developing countries, the investment of capital in the exploration and development of new supplies;

(b) The trade, agricultural and mineral development of developing countries;

(c) The position of developing countries receiving these surpluses as assistance.

2. (a) Disposal of agricultural surpluses should be made in accordance with the FAO Principles of Surplus Disposal;⁸

⁸ *The Disposal of Agricultural Surpluses — Principles recommended by FAO* (FAO, Rome, 1963).

(b) Disposal from strategic reserves should:

- (i) Take into account the demand and supply position;
- (ii) Supplement and not compete with natural production;
- (iii) Be spread over an agreed period of time;
- (iv) Not be made below the prevailing market prices.

3. There should be effective prior consultations between the Government making the disposal on the one hand and the Governments of the producing countries and the international agencies concerned on the other hand. The existing machinery for consultation on surplus disposal should, where necessary, be widened and reinforced and suitable machinery should be established where such arrangements do not exist. The consultative machinery should also provide for a regular review of the disposal plans and their likely effects on the market.

A developed market-economy country proposed the following text:

1. In disposing of production surpluses, strategic reserves and other Government-held surpluses, Governments should clearly aim at avoiding serious adverse effects on:

(a) The normal commercial markets and trade of these products;

(b) The trade, agricultural and mineral development of developing countries;

(c) The position of developing countries receiving these surpluses as assistance.

2. Disposal of agricultural surpluses should be made in accordance with the FAO Principles of Surplus Disposal.

3. Disposal from strategic reserves and other Government-held inventories of primary products should:

(a) Take into account the demand and supply position;

(b) Be spread over a reasonable period of time;

(c) Be made on the basis of the prevailing market prices;

(d) Take into account the investment of capital in the exploration and development of new supplies.

4. Effective prior consultations between the Governments making disposals on the one hand and the Governments of the producing countries and/or the international agencies concerned on the other hand, should continue and be an integral feature in disposal policy.

* * *

12. Consultations among producing countries

In connexion with the proposal on international action on commodities, the developing countries made the following proposal:

Producing countries should, if necessary, consult and co-operate among themselves in order to co-ordinate effectively their policies in the commodity field. The Secretary-General of UNCTAD is requested, if so required by the Governments concerned, to assist in the holding of such consultations.

The developed market-economy countries could not agree to this proposal.

Part four

PROPOSALS WHICH COULD NOT BE GIVEN ADEQUATE CONSIDERATION

13. *Special measures for the least developed among developing countries*

The following proposals were submitted by a group of developing countries:

A. Trade liberalization

1. In selecting products for improving market sharing special attention should be given to commodities of particular interest to the least developed among developing countries.

2. Special consideration should be given to the needs of the least developed countries in relaxing tariff and non-tariff barriers affecting access to the markets both in tropical and temperate products.

3. Developing countries should pay special attention to expanding their imports of primary products produced by the least developed among the developing countries.

B. Commodity arrangements

1. In selecting products for commodity arrangements envisaged under part two, A.I of the Charter of Algiers (TD/38), as far as possible, priority should be given to commodities of particular interest to the least developed countries.

2. In the preparation and negotiation or re-negotiation of international commodity agreements and arrangements, appropriate liberal treatment should be accorded to the least developed countries. To this end, consideration should be given to the need of retaining flexibility in the use of the techniques adopted in order (a) to consolidate and increase market opportunities to efficient producers among developing countries; (b) to enable small trading developing countries and countries progressing from a subsistence to a cash economy to attain economic levels of production for the purpose of economic growth and to maintain satisfactory levels of consumption at reasonable prices; and (c) not to obstruct access to the market for potential producers and producers heavily dependent on the export of the commodity in question from developing countries. In applying all these considerations, account should be taken of the trade needs of traditional producers among developing countries, and the capacity of the market to absorb new production.

3. Financial and technical assistance relating to production and diversification including any funds for such purposes to be set up under international commodity agreements should give greater attention to the needs of the least developed countries, taking into account the capacity of the market to absorb new production and, as appropriate, the objectives of the international agreement concerned.

4. In the sharing of costs and in the prefinancing arrangements, special arrangements should be made including the granting of "soft loans", taking into account the objectives and the particular characteristics of each agreement, by international financial agencies and

governmental agencies of developed countries, in order to ease the burden on the least developed countries.

5. Developed countries might divert larger amounts of their resources towards finding new uses to products of particular interest to the least developed countries facing a declining market.

6. In implementing the provisions of part two, A.2 (e) of the Charter of Algiers adequate measures should be taken to safeguard the interests of the least developed among the developing countries.

Although the first Committee was unable to give full consideration to the draft resolution owing to lack of time, it nevertheless recognized the importance of these proposals and recommended that the question be considered further as early as possible and on an urgent basis in the appropriate body of the continuing machinery.

14. *Elements of a commodity policy*

Proposals submitted by a group of developed market-economy countries

I. *Scope of a commodity policy*

A definition of a concerted international commodity policy is to be found in annex A.II.1 of the Final Act of the first session of the United Nations Conference on Trade and Development, entitled "International commodity arrangements and removal of obstacles and expansion of trade".

A concerted policy would take into account, *inter alia*, the work of UNCTAD and of other interested international bodies since the first session of the Conference should in particular achieve the following:

It should introduce a dynamic element into the export earnings of the developing countries by helping to iron out short-term fluctuations in commodity prices, by providing for the stabilization of prices at a remunerative and equitable level and by increasing and diversifying the exports of those countries;

It should enable the developing countries to provide for their essential food needs;

It should ensure supplies of the raw materials necessary for world-wide industrial expansion in equitable conditions.

II. *Means of implementing a commodity policy*

Specific measures for implementing the comprehensive commodity policy mentioned in section I above must be defined in relation to the particular situation of each commodity. The choice of an appropriate framework should be extremely broad, ranging from information collection or consultation between importing and exporting countries to international study groups and international agreements.

1. *Improvement of export earnings through prices*

Stable, equitable and remunerative prices are an essential element in any policy designed to regulate the market for a given product.

Price stabilization at equitable and remunerative levels, for both producers and consumers, may be achieved by a now well-known range of techniques, which can be used

singly or in combination, and which may vary according to the product. With particular reference to products subject to competition from synthetics or substitutes, price stabilization should be carried out in conjunction with scientific and technical research designed to improve the competitiveness of the natural product, to find new uses creating additional outlets, and to promote modern marketing methods for those products.

The price policy should be so implemented as to promote a balance between consumption and production.

2. *Improvement of export earnings through development of trade*

The creation of conditions of access to the markets of developed countries, both market-economy countries and countries having a centrally-planned economy, to an extent compatible with assured supply and internal economic and social equilibrium, is one possible method of promoting trade expansion.

The same is true of the expansion of trade among the developing countries, in particular within the framework of regional integration.

Finally, promotion measures aimed at marketing and consumption may stimulate an increase in the volume of trade. In this connexion, the activities of the UNCTAD/GATT International Trade Centre should be intensified with a view to increasing technical assistance to the developing countries to aid their exports of primary products to developed countries and to each other,

3. *Diversification of the economies of the developing countries*

The diversification of the economies of countries producing primary commodities, if effectively implemented after appropriate product-by-product and country-by-country studies, or on a regional basis, in the longer run offers those countries additional prospects of increasing their share in international trade.

National and regional diversification plans of this kind are the primary responsibility of the developing countries concerned; but the support of industrialized countries and international organizations, as part of their technical and financial aid programmes, is desirable. In this context, national policies should be more closely co-ordinated so as to provide a clearer picture of consumption trends and production capabilities.

4. *Action by international financing institutions*

The international financing institutions concerned should be able to help in implementing some of the measures set out in points 1, 2 and 3 above.

In this connexion the importance of the resolution adopted at the Annual Meeting of the Governors of the International Monetary Fund and the International Bank for Reconstruction and Development, held in Rio de Janeiro in September 1967,⁹ should be pointed out.

⁹ Resolution 22-9 — Stabilization of Prices of Primary Products, adopted on 29 September 1967 by the Board of Governors of the International Monetary Fund in joint session with the Board of Governors of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association (see IMF, *Summary Proceedings, Annual Meeting, 1967*, p. 280).

In accordance with that resolution, the IBRD, in collaboration with the IMF, is at present studying the problem of stabilizing commodity prices, its possible solutions and their economic viability. This study will be submitted to the Board of Governors of the two institutions for consideration and ultimate decision. It would be helpful if it was also communicated to UNCTAD.

III. *Work programme*

1. Concerted measures to be taken in co-operation with the competent international organizations in regard to the following products:

(a) Cocoa (an international agreement to be concluded at an early date, and in any case before the end of 1968);

(b) Sugar (an international agreement to be negotiated as a result of the United Nations Sugar Conference called by the Secretary-General of UNCTAD);

(c) Oils and oil seeds, rubber, tea, cotton, tropical timbers and derivatives (international consultations to be undertaken or pursued with a view to finding adequate solutions); sisal and hard fibres (existing agreements to be strengthened);

(d) Iron ore, pepper, bananas, shellac, mica, phosphates (for the particular attention of the Committee on Commodities).

2. Studies of trade measures to benefit the least-advanced among the developing countries, to be undertaken forthwith and concluded by 31 August 1969 by the UNCTAD secretariat in consultation with the countries and international organizations concerned.

* * *

15. *Study on organization and structure of trade network in the field of commodities*

Proposals submitted by socialist countries

The Conference,

Reaffirming the necessity and urgency of increasing the export earnings of the developing countries,

Recalling the general desire expressed at the second session of the United Nations Conference on Trade and Development that the developing countries directly benefit from a stabilization of commodity markets,

In the desire to assist the developing countries in improving the organization and the structure of their trade network in commodities,

1. *Requests* the Secretary-General of UNCTAD to make a detailed study on organization and structure of primary commodity markets with a view to strengthening marketing organizations of developing countries. This should be undertaken until the end of 1968 in the framework of the studies of individual commodities listed in the recommendation of the second session of the Conference;

2. *Considers* it necessary to invite the Governments concerned to undertake measures which would facilitate direct commercial transactions between primary producing and consuming countries.

16. *The role of long-term bilateral agreements in the stabilization of primary commodity markets*

Proposals submitted by the socialist countries

Draft resolution

The Conference,

Recalling that the first session of the United Nations Conference on Trade and Development adopted a recommendation (A.VI.3)¹⁰ that the method of long-term bilateral agreements is one of the effective means that may contribute to the solution of commercial problems between different countries, including those between countries on different levels of development or with different economic and social systems,

Considering the view expressed by the Advisory Committee to the Board and to the Committee on Commodities on its first session, mentioned in its report (TD/B/109)¹¹ that in the framework of international stabilization commodity agreements long-term bilateral agreements might be concluded between the main exporters and importers with a view of making possible for the developing countries to place their production for some years ahead with a minimum of uncertainty about the future level of the export earnings,

Taking into account the trade creating effects of the long-term bilateral agreement as it is stated in document TD/8,

1. Notes with interest the proposal contained in the annex of this resolution on the functioning of long-term bilateral agreements as a means to stabilize the primary commodity market;

2. Recommends to all interested Governments, principally those of the developing countries striving to achieve the highest possible earnings of their exports and introduce an element of long-term planning into their commercial and economic policy, to use this technique of market stabilization.

Annex to the draft resolution

1. A few characteristics of the long-term bilateral agreements are:

(a) They may be concluded for three to five years or more;

(b) They may include mutually agreed targets for the whole duration of the agreement or annual targets may be agreed;

(c) The agreements may be restricted to the declarations of the parties stating that they would issue export and import licences when required for the values of quantities provided in the agreement, or may contain such stipulations that the parties involved will encourage the respective trade organization to conclude long-term contracts.

2. Long-term bilateral agreements may be clearing agreements or combined with multilateral or partially

multilateral methods of payment or payment in convertible currency at the convenience of the parties involved with a view to give more flexibility to this kind of arrangement.

3. In the absence of long-term contracts referred to in point 1 (c), long-term bilateral agreements may have a stabilizing effect as to the volume and the main trends of foreign trade between the countries involved.

4. In the long-term contracts concluded between trading organizations in the framework of long-term bilateral agreements, stipulations may be provided:

(a) As regards the exports of the developing countries provisions might be foreseen for the delivery of primary commodities;

(b) As regards the imports of the developing countries provisions might be foreseen for the delivery of complete plants, machinery or other goods which may also be paid by the delivery of primary commodities and processed products.

5. In the long-term contract between trading partners, a satisfactory solution for the prices of primary commodities should be sought between the parties involved.

6. Wherever an international commodity agreement exists, the long-term bilateral agreement — as regards the respective commodity — should take account of its provisions.

A programme for the liberalization and expansion of trade in manufactures and semi-manufactures (including processed and semi-processed primary products) of interest to the developing countries (agenda item 11 (c))

At its 78th plenary meeting on 27 March 1968, the Conference decided to transmit the following draft resolution contained in the annex to the report of the Second Committee (see annex VII to the present report) to the Trade and Development Board for consideration.

A programme for the liberalization and expansion of trade in manufactures and semi-manufactures (including processed and semi-processed primary products) of interest to the developing countries

Draft resolution submitted by: Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia

The Conference,

Noting that existing tariff and non-tariff barriers in developed countries constitute the main obstacles to the expansion of the exports of manufactures and semi-

¹⁰ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 63.

¹¹ See *Official Records of the Trade and Development Board, Fifth Session, Annexes*, agenda item 5.

manufactures, including processed and semi-processed primary products, from developing countries,

Considering that the continuous liberalization of trade among developed countries has worsened the relative position of developing countries in world trade, since parallel measures concerning the exports from these countries have not been taken,

Recommends that:

1. Developed countries do not raise existing tariff and non-tariff barriers nor establish new barriers or measures having equal effect against exports of manufactures and semi-manufactures, including processed and semi-processed primary products, from developing countries. Tariff and non-tariff barriers limiting the imports into their markets of products from developing countries should only be introduced or increased by developed countries on the basis of multilateral consultations of all interested countries and in compliance with international agreed objective criteria. In no case should such measures be taken by developed countries to reduce levels of consumption in their markets for such products or to restrict the entry of these products below the highest level reached before the imposition or increase of barriers.

Action in the tariff field

2. While arrangements are under way for putting into effect a general system of preferences in favour of all developing countries, the developed countries should:

(a) Implement immediately, without phasing, in favour of all developing countries on a preferential basis, all the concessions agreed to during the trade negotiations (Kennedy Round);

(b) Extend the benefit of all concessions agreed to during the negotiations, to all developing countries whether or not members of the General Agreement on Tariffs and Trade, without reciprocity;

(c) Undertake re-adjustments in the tariff nomenclatures of developed countries, in order to identify and specify those products which are or could be exported by developing countries;

(d) Eliminate tariff differentials which differentiate between products in their primary forms and their processed, semi-processed and semi-manufactured forms from developing countries, and eliminate duties on hand-made products from developing countries.

Action in the non-tariff field

3. Developed countries should remove all quantitative restrictions, especially those which are applied by them inconsistently with their international obligations, to the exports of manufactures and semi-manufactures, including processed and semi-processed primary products, from developing countries at an early date, and in any case by 31 December 1970, and in the meantime they should:

(a) Liberally administer the quantitative restrictions which would remain in force pending their final elimination;

(b) Fix annual percentage increases in quotas with a view to achieving full liberalization by the target date;

(c) Ensure that the quotas should in no way be discriminatory;

(d) Convert, to the extent possible, existing country quotas into global quotas.

However, in regard to existing preferential quotas, they shall be subject to consultation and agreement between the developing and developed countries concerned.

4. Developed countries should inform UNCTAD of all existing non-tariff barriers, especially quantitative restrictions, to the exports of manufactured and semi-manufactured products, including processed and non-processed primary products from developing countries.

5. A concrete programme for the progressive elimination of existing non-tariff barriers in the developed countries to the exports of manufactures and semi-manufactures, including processed and semi-processed primary products, from developing countries, shall be established. This programme shall also include appropriate measures for the expansion of imports of manufactures and semi-manufactures from developing countries into centrally-planned economy countries.

6. Countries with centrally-planned economies should make specific commitments in order to expand and diversify their imports of manufactures and semi-manufactures, including processed and semi-processed primary products, from developing countries.

7. The Secretary-General of UNCTAD should make appropriate arrangements for the establishment as soon as possible of a Group on Non-Tariff Barriers to work in close collaboration with the Special Committee on Preferences which should consist of governmental representatives drawn from developed, developing and centrally-planned economy countries. The Group shall provide a forum for negotiations with a view to the elimination of non-tariff barriers, especially quantitative restrictions, to the exports of manufactures and semi-manufactures, including processed and semi-processed primary products, from developing countries.

8. In pursuance of this purpose, the Group on Non-Tariff Barriers should draw up, on the basis of the present recommendation, a concrete and specific programme on a product-by-product or group of products basis, for the progressive elimination of quantitative restrictions and other non-tariff barriers on manufactured and semi-manufactured products, including processed and semi-processed primary products which are or could be exported by developing countries. The programme shall provide for the complete elimination of quantitative restrictions in developed countries by 31 December 1970 and of all non-tariff barriers within a period of five years from the date of the present recommendation.

9. Moreover, the Group should have the following other principal functions:

(a) To collect the necessary detailed information on quantitative restrictions and other non-tariff barriers on products which are or could be exported by developing countries;

(b) To examine these restrictions, their extent and nature, the reasons for their maintenance and the economic effects of these restrictions for both developed and developing countries;

(c) To lay down the objective criteria for determining the occurrence of situations which might give rise to the application of measures restrictive of trade, those criteria to be applied in conjunction with the programme of liberalization;

(d) To give consideration to the adjustment assistance measures which could be adopted by developed countries with a view to facilitating the fulfilment of the liberalization programme;

(e) To study the specific measures to be taken by countries with centrally-planned economies within the aforementioned programme;

(f) To study and recommend special measures for the elimination at an early date of non-tariff barriers applied to the products of the least developed among the developing countries;

(g) To study any other matters entrusted to it by the Trade and Development Board.

10. The Group should present to the third session of the Committee on Manufactures a complete list of the manufactured and semi-manufactured products, including processed and semi-processed primary products, which are or could be exported by developing countries subject to quantitative or other non-tariff restrictions in developed countries.

11. The Group should submit to the fourth session of the Committee on Manufactures the programme of liberalization of trade in manufactures and semi-manufactures, including processed and semi-processed primary products, together with objective criteria for determining the occurrence of situations which might give rise to the application of measures restrictive of trade.

12. The Group shall have the functions of reviewing annually, on an *ad hoc* basis if necessary, the progress achieved in the fulfilment of the programme of liberalization and of controlling the application of restrictive measures on the basis of market disruptive situations.

Measures for the promotion, expansion and diversification of exports of manufactures and semi-manufactures from developing countries: co-operation with the United Nations Industrial Development Organization (UNIDO) aimed at the establishment and expansion of export-oriented industries in developing countries; other forms of economic, industrial and technical co-operation (agenda item 11 (d))

At its 78th plenary meeting on 27 March 1968, the Conference decided to transmit the following draft resolution contained in the annex to the report of the Second Committee (see annex VII to the present report) to the Trade and Development Board for consideration:

A programme for export development for expansion and diversification of exports from developing countries — promotion of economic, technical and industrial co-operation to this end

Draft resolution submitted by: Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica,

Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia

The Conference,

Considering the importance and need of specific measures for the promotion of economic, industrial and technical co-operation in the establishment and expansion of export-oriented industries and the development of export promotion efforts in the interests of the promotion, expansion and diversification of exports from developing countries,

Recognizing the urgent need for development and implementation of a co-ordinated and comprehensive Programme of Export Development incorporating a provision for the expansion of the production base of export-oriented industries and of the export promotion efforts of developing countries through the co-operative and co-ordinated utilization of resources of various international, multilateral and regional organizations,

Welcoming the establishment of a United Nations Export Promotion Programme, as decided at the meetings of Executive Secretaries of the regional economic commissions convened by the Under-Secretary-General for Economic and Social Affairs during 1967, and in this connexion the establishment of the Joint UNCTAD/GATT International Trade Centre as well as the Trade Promotion Centre of the Economic Commission for Asia and the Far East and the initiatives for trade promotion action within the Economic Commission for Africa and the Economic Commission for Latin America,

1. Requests the Secretary-General of UNCTAD, in consultation with the Executive Director of UNIDO and the Director-General of GATT in co-operation with the organizations and agencies of the United Nations and the regional economic commissions concerned; and also with other international, multilateral and regional organizations; and taking into account the relevant recommendations made in the Final Act of the first session of the United Nations Conference on Trade and Development and the suggestions made by the two groups of experts previously called under the auspices of UNCTAD and UNIDO, to prepare a comprehensive and co-ordinated Programme of Export Development, comprising measures of technical assistance and determining specific measures which need to be taken by the respective organizations and agencies at the international, multilateral and regional levels (including the promotion of economic, technical and industrial co-operation), for supplementing and strengthening the activities of developing countries in these fields at the national level;

2. Recommends to the Secretary-General of UNCTAD, in consultation with the Director-General of GATT and the Executive Director of UNIDO and member States of these organizations, to invite a group of experts for the

preparation of such a comprehensive and co-ordinated programme, outlining in particular the specific programmes to be implemented by the UNCTAD/GATT International Trade Centre; and also requests the regional economic commissions and other regional organizations concerned likewise to invite groups of experts for the preparation of details of the programmes to be implemented by them;

3. *Invites* Governments to encourage economic, technical and industrial co-operation, by increasing the assistance from developed to developing countries, for strengthening the production base of export-oriented industries, for developing their export marketing competence, and for expanding and diversifying their exports;

4. *Recommends* to the General Assembly to provide that UNCTAD should as soon as possible become a participating agency in the United Nations Development Programme (UNDP) for the purpose of carrying out directly and jointly with the UNCTAD/GATT International Trade Centre technical assistance programmes financed by UNDP;

5. *Requests* the United Nations General Assembly to make available adequate resources in the budget of the Organization for the implementation of the Programme of Export Development and for meeting the requirements of international and regional institutions engaged in this Programme.

Growth, development finance and aid (synchronization of international and national policies) (agenda item 12)

At its 79th plenary meeting on 28 March 1968, the Conference decided to transmit to the Trade and Development Board for consideration draft resolutions and proposals 1, 4, 9, 13, 14 and 15 contained in annex I to the report of the Third Committee (see annex VII to the present report) as well as the text contained in document TD/L.22 on World Bank group matters which had been submitted to the Conference by the Chairman of the Third Committee. These draft texts are given below:

1. FINANCIAL RESOURCES AND REQUIREMENTS OF DEVELOPING COUNTRIES AND MEASURES TO ACCELERATE THEIR ECONOMIC DEVELOPMENT

INCREASING THE FLOW OF INTERNATIONAL PUBLIC AND PRIVATE CAPITAL

Outflow of financial resources from developing countries (Agenda item 12 (b) (i))

Draft resolution submitted by Bulgaria, Hungary and the Union of Soviet Socialist Republics

The Conference,

Aware of the growing insufficiency of financial resources in the developing countries and the importance of these resources for their economic development,

Referring to General Assembly resolution 2276 (XXII) of 4 December 1967, on the outflow of capital from developing countries and measurement of the flow of resources to developing countries,

Taking into account that in accordance with the above-mentioned General Assembly resolution, the Secretary-General of the United Nations is requested to include, in the regular report on the international flow of long-term capital and official donations, statistics — when these can be obtained — of reverse flows of capital, from the developing countries, assessing their significance in relation to total financial transfers and giving an analysis of factors affecting their flows,

Noting that the outflow of financial resources from the developing countries mainly in the form of exportation of profits on foreign capital is steadily increasing and thus obstructs the achievements of the set targets of economic growth in these countries,

Recognizing that foreign capital invested in the developing countries must be utilized in the interests and to the benefit of the developing countries themselves, in accordance with their development plans and their internal legislation,

Recognizing further that not all forms and channels for the outflow of financial resources from the developing countries have been adequately studied,

1. *Requests* the Secretary-General of the United Nations to continue the studies of the outflow of capital from the developing countries, taking into account the discussion of this question at the second session of the United Nations Conference on Trade and Development;

2. *Requests* the Secretary-General of UNCTAD to prepare, taking into account the data contained in the relevant reports and studies of the Secretary-General of the United Nations, a study on the possible ways and means for curbing the outflow of financial resources from the developing countries and to submit these proposals to the Trade and Development Board at its eighth session;

3. *Recommends* the Trade and Development Board to examine this problem, having in view the proposals submitted by the Secretary-General of UNCTAD, and to adopt the necessary recommendations for practical measures aimed at curbing the outflow of financial resources from the developing countries.

4. GROWTH, DEVELOPMENT FINANCE AND AID (SYNCHRONIZATION OF INTERNATIONAL AND NATIONAL POLICIES)

Extension of the operations of the International Bank for Reconstruction and Development and its affiliates (Agenda item 12)

Draft resolution submitted by: Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia

The Conference,

1. *Recommends* that the Governments of countries which are members of the International Bank for Reconstruction and Development and its affiliates should request at the next meeting of the Board of Governors that the Bank should study the transformation and adaptation of the activities of the group to enable it to devote itself entirely to aid to the developing countries, and that to this end the necessary policy reforms should be introduced, with particular reference to the following considerations:

(a) That the Bank should consider the possibility of financing plans and programmes including, wherever necessary, local costs, instead of financing only projects as has been its traditional policy;

(b) That the Bank should consider the imperative need to ensure that loan periods shall be longer and interest rates easier for developing countries;

(c) That the Bank should enter into negotiations with the debtor developed countries to examine the possibility of advance payment of their debt balances;

(d) That the Bank should increase its aid to countries which still have no direct access to international capital markets and to those developing countries which have not yet received adequate international aid;

(e) That the Bank should enlarge its loan policy with a view to giving effective financial assistance to projects of non-private and mixed enterprises engaged in industrial activity, especially those which are working in strategic areas of development;

(f) That the Bank should consider financing public health projects and programmes and should broaden its operations relating to rural and urban development, education, agriculture and economic integration;

(g) That the Bank should agree to administer trust funds provided by various Governments and institutions, preferably of an untied nature;

(h) That the Bank should apply the legal provisions of its Articles of Agreement empowering it to give guarantees for loans to developing countries from capital-exporting countries; and second, to place bonds in both international and national markets;

(i) That the Bank should increase its co-operation with regional financing institutions and, where appropriate, should grant credits jointly with regional banks and with banks and corporations engaged in the field of integration;

(j) That the Bank should extend and broaden its consortium and consultative group services so that a larger number of developing countries can use them;

(k) That the Bank should co-operate with countries, at their request, in negotiations with creditor countries for the consolidation, conversion and re-negotiation of their external debts;

(l) That the operations of the International Finance Corporation should be expanded in the most effective possible way giving preference to undertakings in developing countries and particularly to those activities which fall within the process of economic integration;

(m) That the Bank should vigorously pursue negotiations with the developed countries in order that the

International Development Association (IDA) may have at its disposal the additional funds needed to expand its activities as soon as possible;

(n) That IDA should broaden its lending policy so as to finance projects and programmes designed to correct regional imbalances in the developing countries;

(o) That in distributing its funds IDA should give attention to those developing countries which have not yet received adequate financial and technical aid and to the least-developed among the developing countries;

2. *Further recommends* to the Board of Governors of the Bank that the terms and conditions of development loans provided by the Bank including interest rates, commitment charges and repayment periods, should be adapted to the particular needs of the least developed countries.

9. FINANCIAL RESOURCES AND REQUIREMENTS OF DEVELOPING COUNTRIES AND MEASURES TO ACCELERATE THEIR ECONOMIC DEVELOPMENT

Increasing the flow of international public and private capital.
(Agenda item 12 (b) (i))

Draft proposal submitted by: Brazil, Burma, Ceylon, Ethiopia, India, Indonesia, Iran, Lebanon, Malaysia, Mexico, Philippines, Republic of Korea, Sudan, Syria and Yugoslavia

Full-scale operation of the United Nations Capital Development Fund, which was brought into operation by General Assembly resolution 2186 (XXI) of 13 December 1966, will not only respond to the needs of developing countries for an increase in the flow of multilateral assistance but also to their needs for an increase in aid which is administered on the basis of objective and impartial criteria. In this context, member Governments, especially those of the economically advanced countries, are urged to make substantial contributions at the Fund's forthcoming 1968 Pledging Conference in order to enable it to operate in accordance with General Assembly resolution 2186 (XXI) and play an effective role as an integral part of the United Nations system.

13. GROWTH, DEVELOPMENT FINANCE AND AID (SYNCHRONIZATION OF INTERNATIONAL AND NATIONAL POLICIES) (Agenda item 12)

Suggestion submitted by: Brazil, Ceylon, Greece, Netherlands, Philippines, Sweden, Tunisia, Turkey and Uganda

1. The Conference, in the light of its agenda items, reviewed and examined the trends and problems of financing related to trade and development of developing countries.

2. As a result, the Conference reaffirms its conviction that economic development is the common concern of the entire international community and that substantial increase of economic prosperity and well-being would strengthen peaceful relations and co-operation among nations.

Therefore, the Conference strongly urges that all member States pledge themselves to pursue such internal and external economic policies which would accelerate economic progress throughout the world, and, in particular, would promote in developing countries an adequate rate of growth, in order to narrow the existing gap in the standards of living between the developing countries and the developed countries.

3. Surveys and documents prepared by the secretariat of UNCTAD and other United Nations bodies show that since the first session of the Conference, there has been even a relative deterioration of the economic situation in most of the developing countries. Within the field of development financing, neither the volume, nor the terms of international assistance have significantly improved. The Conference notes with concern that although some developed countries have made comparatively large efforts and that some are increasing their efforts, the total flow of financial resources from developed countries to developing countries has failed to keep pace with growth in the combined incomes of the developed countries as a whole, and with both the capability of developed countries and the needs of the developing ones.

4. Consequently, the Conference proclaims that both national and international action are urgently needed to cope with the problem of world poverty and that these actions may be realized only if there is sufficient political will, along with adequate support from public opinion and a well-defined global policy for economic development.

5. The Conference urges that national and international public information media should take the necessary steps to enlist the required political will and the support of world public opinion in favour of the policies and objectives to be pursued for increasing the economic prosperity of the world community.

In this connexion, it recommends that a small group of highly-qualified experts from both developed and developing countries should be established, as early as possible, to study and to recommend measures on how to enlist the support of world public opinion. This group should be convened by the Secretary-General of the United Nations and should transmit its recommendations to the General Assembly, the Trade and Development Board and the Economic and Social Council,

6. The Conference welcomes and supports the proposal made by the President of the International Bank for Reconstruction and Development for a "grand assize" to review the last twenty years' experience with development assistance, in order to assess the results, clarify the errors and propose policies which would work better in the future.

7. As regards the formulation of a commonly agreed charter and a global strategy for economic development, the Conference welcomes the United Nations General Assembly resolutions 2218 (XXI) of 19 December 1966 and 2305 (XXII) of 13 December 1967 and supports the actions recommended in them.

8. On its part, the Conference submits to the Secretary General of the United Nations the following finding to be taken into account as the preliminary elements of a strategy for financing economic development, during the

preparation of his report on "The framework of an international development strategy":

[Findings to be inserted]

14. FINANCIAL RESOURCES AND REQUIREMENTS OF DEVELOPING COUNTRIES AND MEASURES TO ACCELERATE THEIR ECONOMIC DEVELOPMENT

INCREASING THE FLOW OF INTERNATIONAL PUBLIC AND PRIVATE CAPITAL

Special measures concerning development finance and technical assistance

(Agenda item 12 (b) (i))

Draft resolution submitted by: Afghanistan, Algeria, Argentina, Cameroon, Central African Republic, Ceylon, Chad, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Ethiopia, Gabon, Guatemala, Guinea, Indonesia, Iran, Ivory Coast, Kenya, Liberia, Libya, Madagascar, Mauritania, Nigeria, Philippines, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Yugoslavia and Venezuela

The Conference,

Taking note of the report of the Working Group of Fifteen on special measures to be taken in favour of the least developed among the developing countries,¹²

Recognizing that the objective of these measures is not to create discrimination among developing countries but to ensure that the least developed countries obtain due benefits so that all developing countries gain equitable results from the international co-operation of member States of UNCTAD,

Recommends

1. Grants for pre-investment and feasibility studies should be enlarged and the least developed countries should be given greater access to these funds;

2. The least developed countries should be given special technical and financial assistance for economic and resource surveys, formulation of development plans including the identification of priorities within these plans, and the development of specific programmes and projects. In this respect the United Nations Development Programme and the United Nations Industrial Development Organization should accelerate their assistance to the least developed countries in seeking out viable projects and promoting their financing by international financial institutions;

3. The developed countries should enlarge the resources of regional financial institutions to enable them to give adequate attention to their lending operations and technical assistance activities to the development needs of the least developed countries in their regions;

4. The volume of development loans and supplementary financial assistance provided to the least developed countries should be enlarged to enable them to establish adequate infra-structure and export-oriented industries;

5. A longer-term programme of technical assistance linked to the development plans of the least developed countries should be established;

¹² TD/38/Add.2.

6. Within the policy of securing a general relaxation of the financial participation of developing countries in technical assistance projects, due consideration should be given to the particular problems of the least developed countries.

15. FINANCIAL RESOURCES AND REQUIREMENTS OF DEVELOPING COUNTRIES AND MEASURES TO ACCELERATE THEIR ECONOMIC DEVELOPMENT

IMPROVING THE TERMS AND CONDITIONS OF AID

Special measures concerning development finance and technical assistance.

(Agenda item 12 (b) (ii))

Draft resolution submitted by: Afghanistan, Algeria, Argentina, Cameroon, Central African Republic, Ceylon, Chad, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Ethiopia, Gabon, Guatemala, Guinea, Indonesia, Iran, Ivory Coast, Kenya, Liberia, Libya, Madagascar, Mauritania, Nigeria, Philippines, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Yugoslavia and Venezuela

The Conference,

Taking note of the report of the Working Group of Fifteen on special measures to be taken in favour of the least developed among the developing countries,¹³

Recognizing that the objective of these measures is not to create discrimination among developing countries but to ensure that the least developed countries obtain due benefits so that all developing countries gain equitable results from the international co-operation of member States of UNCTAD,

Recommends

1. The terms of the programmes — preferably inter-governmental — of assistance provided by the developed countries to the least developed countries for infrastructure, educational and health projects should be concessional in respect of interest, repayment and amortization periods;

2. As far as possible, the financial co-operation extended by the developed countries and international financing agencies should cover investments for comprehensive development programmes in the least developed countries, without prejudice to the financing provided for the execution of specific projects;

3. The terms and conditions of development loans and supplementary finance, including interest rates and repayment periods, should be adapted to the particular needs of the least developed countries.

GROWTH, DEVELOPMENT FINANCE AND AID (SYNCHRONIZATION OF INTERNATIONAL AND NATIONAL POLICIES)

World Bank Group matters

Revised text of note by the Chairman of the Third Committee on World Bank Group matters

The following text is submitted to the Third Committee for consideration:

¹³ TD/38/Add.2.

1. The Conference recognizes the contribution of the work of the International Bank for Reconstruction and Development and its affiliates in the promotion of the development of developing countries. The Conference notes with appreciation the completion of negotiations for the replenishment of the resources of the International Development Association (IDA) at a higher level. It also notes that the World Bank Group has continuously adjusted its activities to the needs of the developing countries.

2. The Conference encourages Governments of States, members of the Bank Group and its affiliates, to continue their support for the work of these institutions and recommends to those Governments that they advise their representatives in the competent organs of the IBRD and its affiliates to consider the following questions, while bearing in mind the need to safeguard the Bank's ability to borrow:

(a) That the Bank Group should devote as large a part as possible of its resources for assistance to developing countries;

(b) That the Bank Group should be alert to the necessity for new approaches in its lending policies and procedures, for example in keeping under review the advisability of financing non-private and semi-public productive enterprises and the possibility of extending IDA financing to projects and programmes designed to correct regional imbalances in the developing countries;

(c) That the Bank Group should continue, in appropriate cases, to extend loans for purposes wider than the financing of individual projects and that it should consider, wherever necessary, the financing of local costs;

(d) That the Bank Group should continue co-operating with regional financial institutions both in co-ordinating their operations and, where appropriate, in financing jointly projects of regional importance;

(e) That the Bank Group should continue and, to the extent feasible, increase its operations relating to rural and urban development (including public sanitation and water supply) education, agriculture and projects designed to foster economic integration;

(f) That the Bank Group should extend, to the extent feasible, its co-ordinating services relating to particular countries, such as consultative groups;

(g) At the request of the parties involved, the Bank Group should co-operate in the consideration of measures to deal with external debt problems;

(h) That the Bank should keep under review the possibility of applying the legal provisions of its Articles of Agreement empowering it to give guarantees for loans to developing countries;

(i) That the activities of the International Finance Corporation should be expanded in particular with regard to undertakings in developing countries and especially to projects which promote economic integration;

(j) That IDA should explore the possibility of receiving trust funds in administration from various governments and institutions;

(k) That IDA, in distributing its funds, should give particular attention to the least-developed among the

developing countries, in particular to those developing countries which have not yet received adequate international aid.

General review of the work of UNCTAD

(Agenda item 16)

At its 77th plenary meeting on 26 March 1968, the Conference took note of a draft resolution submitted by Chile and India (TD/L.30 and Corr. 1) and remitted it, together with a draft resolution submitted by Sweden (TD/L.34), to the Trade and Development Board at its seventh session for study and decision. The texts of the draft resolutions are given below:

General review of the work of UNCTAD

Draft resolution submitted by Chile and India

The Conference,

Recalling General Assembly resolution 1995 (XIX) of 30 December 1964, which provides in its paragraph 30 that "the Conference will review, in the light of experience, the effectiveness and further evolution of institutional arrangements with a view to recommending such changes and improvements as might be necessary"; and having reviewed the activities of UNCTAD since the first session of the Conference,

Appreciating the efforts of the Secretary-General of UNCTAD in conducting a thorough analysis, at the technical level, of the various problems of trade and development, and in suggesting concrete solutions for these problems,

Recognizing at the same time, that it has not so far been possible to develop sufficient dynamism by member States to ensure concrete action as envisaged in the recommendations of the Conference; and that it is now necessary to introduce into the existing machinery certain well-known techniques for specific action, such as reporting, initiating concrete action plans, consultations, negotiations and reviewing and over-seeing,

Regretting that the Conference has not been able to complete its detailed review and formulate its recommendations,

Noting that certain delegations have, through mutual contact and consultations, elaborated a number of suggestions, in regard to the improvement in the efficacy of institutional arrangement,

1. *Transmits* to the Secretary-General a working paper sponsored by the delegations of Chile and India;

2. *Requests* the Secretary-General of UNCTAD to examine the working paper and report as appropriate, to the Trade and Development Board at its seventh session;

3. *Recommends* that the Trade and Development Board, after considering the report of the Secretary-General of UNCTAD, make appropriate recommendations in its behalf, in due course, to the General Assembly of the United Nations.

Working paper

A

1. The Secretary-General of UNCTAD may be authorized to convene, at the request of the Governments concerned, inter-governmental consultative groups for examining such developments in the field of trade and development, including policies relating thereto, as may be either regarded as inconsistent with the aims and objectives of the organization, or have an adverse effect on the trade and development interests of member Governments, or the consideration of which may facilitate concrete action for the achievements of the aims and objectives of UNCTAD;

2. Such consultations should be particularly designed to facilitate the convening of exploratory commodity meetings and the concluding of agreements at commodity conferences and securing the liberalization and expansion of trade in primary commodities, manufactures and semi-manufactures, processed or semi-processed, agricultural commodities, or other commodities of interest to developing countries;

3. The Trade and Development Board, at its seventh session should adopt the necessary procedures for facilitating the convening of such inter-governmental consultative groups, and for introducing the necessary flexibility in exploratory commodity meetings and commodity conferences;

4. The Secretary-General of UNCTAD may be requested to report the results of these consultations and exploratory meetings to the appropriate bodies of UNCTAD at their very next session;

5. In the discharge of their functions, the Standing Committees and other bodies of UNCTAD should make the fullest possible use of expert panels or Working Groups on specific items of work, and utilize the devices mentioned in the third preambular paragraph;

B

6. The General Assembly may be requested to decide that the Trade and Development Board should normally hold only one regular session each year;

7. The Trade and Development Board may be asked to review the pattern, frequency and duration of the meetings of UNCTAD in order substantially to reduce the frequency and duration of deliberative meetings, devote itself more and more to the tasks of exploration, consultation and negotiation, in furtherance of the rapid implementation of the recommendations of UNCTAD;

C

8. The Secretary-General of UNCTAD may be requested to identify and review with the Director-General of the General Agreement on Tariffs and Trade the areas of common interest and concern to the two institutions and to submit proposals to the Board, at its seventh session, designed to combine their efforts in these areas and to avoid duplication of activities and resources;

9. The United Nations General Assembly may consider whether the United Nations Conference on Trade and

Development should be made a participating agency in the United Nations Development Programme (UNDP) for the purpose of carrying out technical assistance programmes in the field of trade in relation to development financed by the UNDP.

Work of the Organization

Draft resolution submitted by Sweden

The Conference,

Bearing in mind paragraph 30 of General Assembly resolution 1995 (XIX) of 30 December 1964, whereby the

Conference is instructed to review, in the light of experience, the effectiveness and further evolution of institutional arrangements with a view to recommending such changes and improvements as may be necessary,

Considering that no such review has been undertaken during the second session of the Conference,

Considering it desirable to study the experience gained during the second session of the working methods of the Conference,

Invites the Trade Development Board to consider the matter at its seventh session.

ANNEX IX

Other basic documents

**Address by Mrs. Indira Gandhi, Prime Minister of India,
at the inaugural ceremony, 1 February 1968**

I extend a warm welcome to all of you who have come from many countries to take part in this great assembly of nations, in a joint endeavour to build a better world. We had greatly looked forward to the distinguished presence of U Thant, Secretary-General of the United Nations, who more than anyone else has helped us in our moments of despondency and urged us to remain true to the ideals embodied in the Charter of the United Nations, over which he presides with such distinction. It is a matter of deep regret to us all that he is not here with us today to launch this truly historic Conference which is no less important for the peace of the world and the well-being of the vast majority of its people than any other issue confronting us today.

I am glad you have chosen this country for your deliberations. Here you will find the problems which all struggling nations face, and you will see them, if I may say so, projected on a giant screen. You will see them not as statistics but in the expectant glances of our bright-eyed young people and in the anxious faces of their elders. We are conscious that we bear the mark of the storms we have weathered. I hope you will also recognize the spirit of the country, a spirit which has seen our people through countless difficulties, natural calamities, man-made complexities. It is this spirit which has inspired our great men through the ages. Some of our problems are centuries old, and some are very new — parched land and bursting cities, illiteracy and brain drain.

For more than a hundred years, the most sensitive and perceptive minds in our country have been obsessed with poverty and have striven to remove its causes. Our fight for freedom was itself part of the greater fight to liberate our people from the grip of poverty and the fear of economic insecurity. The vastness of our country makes the challenge so much the greater. Whatever we do must be done for 560,000 villages. In the last fifteen years, we have almost doubled agricultural production, created 30 million jobs, put 45 million more children in schools, added twenty years to the life-span, and established a base of heavy industries, but we cannot even take time off to think of this as an achievement — we must go on with our work, for what is unfinished is so much larger than what is done.

In our unending labour, our consolation is that we are not alone. Through the long hard struggle for political independence, we were keenly aware of other nations and of peoples who also were oppressed by their fellow-men. We shared with them the indignities and humiliations of discrimination and exploitation — of this was forged a kinship. It has been our hope and constant endeavour that

India should work not only for itself but for the larger world community. At the greatest moment of our lives, when we became free and sovereign, my father pledged us to the service of India. He said "The service of India means the service of the millions who suffer. It means the ending of poverty and ignorance and disease and inequality of opportunity... And so we have to labour and to work, and work hard, to give reality to our dreams. Those dreams are for India, but they are also for the world, for all nations and peoples are too closely knit together today for any one of them to imagine that it can live apart. Peace has been said to be indivisible, so is freedom, so is prosperity now, and so also is disaster in this one world that can no longer be split into isolated fragments."

The United Nations was established twenty-three years ago to keep world peace and promote human prosperity. The juxtaposition of peace and prosperity is not a contrivance for stating moral precepts. The two are indissolubly linked together. Without peace there can be no prosperity for any people, rich or poor. And yet, there can be no peace without erasing the harshness of the growing contrast between the rich and the poor. Unless we sense this urgency and use our energy to eradicate the economic causes which make for conflict, men and women will be impelled to revolt, and to use violent means to bring about change.

Wherever a wide gulf has divided the small section of the rich from the vast masses of the poor, the State has either imposed a forced peace on the opposing camps or faced instability from within. What has been true within a nation is equally valid for the international community. Apart from reducing the inequalities within their social structures, the developing nations must adopt modern technology to create a new balance of benefit to all their citizens. In this endeavour, can we not apply to the problems of the world community the accumulated experience of some of the Member States of the United Nations who are now in the vanguard of progress? Can we not co-operate to give meaning and substance to the very concept of a world community? These are the questions before this Conference.

This is not the first occasion for the United Nations to address itself to the problems of world poverty and hunger. The Charter of this great Organization calls upon it to work for the removal of want. To achieve this objective, a number of international organizations were set up. In December 1961, the General Assembly declared the 1960s to be the United Nations Development Decade. In June 1964, the first session of the United Nations Conference on Trade and Development adopted its Final

Act,¹ a blueprint drawn up to achieve a better balance in international economic relationships. But we find that concrete action has fallen far short of its declaration. In the meantime, year by year, the needs of the developing nations are becoming more acute, more urgent.

Some success has of course been achieved. Funds raised by diverse methods have been invested in the process of development. Difficulties have been studied in depth, and the continuing machinery of this Conference has been engaged in a search for solutions. Under the able guidance of its distinguished Secretary-General, the secretariat of UNCTAD has produced valuable documents which I am sure you will find useful. The Group of 77 has even prepared a modest though practical programme of action. Naturally, hope is reawakened by the presence of so many distinguished statesmen from different parts of the world. But we are also haunted by the fear that an historic opportunity to set the world community firmly on the road to peace and prosperity might again be missed.

Are these fears altogether groundless? The Development Decade is drawing to a close. During the past years, most Member States have laboured, individually or collectively, to promote economic advancement in underdeveloped countries. An average growth rate of 4.6 per cent per annum has been achieved, but it dwindles to a mere 2 per cent, if we take into account the increases in population. Anyhow, the average growth rate is at best an imperfect measure of social and economic development. A much surer guide is the *per capita* income, on which the efforts so far made have had little impact. It is the human aspect — the opportunity for men and women everywhere to lead a fuller life — which is of the utmost importance. So long as the fundamental rights of millions of people in regard to employment, food, shelter and other needs remain unsatisfied, so long will their urge to rise to their full stature and serve their fellow-men remain unfulfilled.

This situation is a source of anxiety. The goal is distant. But impatience and dissatisfaction sap our will to persevere. Those who look upon development assistance as repayable charity will inevitably miss the expected gratitude from its beneficiaries. Those who view it as investment to earn political support, or to collect dividends, or to promote trade will be disappointed with the meagre returns. At the same time, growing numbers in the developing countries are beginning to look upon external capital and know-how, not as aids to their own strength and achievement of economic freedom, but as bonds which increase their dependence on dominant economies. We must all plead guilty to being tempted by the illusion that small efforts can yield big results. This is why we become disenchanted and international economic co-operation is the first casualty. Thus, domestic pressures mount. Our affluent friends seek to curtail their contribution to development. In turn, the recipients of aid retreat inwards.

Sovereign nations are gathered here. But in some cases the structure of their mutual economic relationship has been inherited from their colonial past. We are all familiar with the part colonialism has played in the exploitation of dependent countries. The dominant powers introduced modern science as industry to agricultural lands. But they developed only those segments of dependent economies which met metropolitan needs. They did not build the economic base for the development of material and human resources and of self-generating growth.

Today the rich nations find it more rewarding to invest their savings in their own security, in the advance of their technology, or even in establishing contacts with distant planets. They find it more interesting to trade among themselves than with the developing nations. Their markets and profit patterns are protected by tariff and non-tariff barriers. The efforts of the less developed countries to process their natural products and increase their share of international trade in manufactured and processed goods are thus frustrated. The continuous onslaught of synthetics and substitutes further deprives poor nations of the resources they could derive from the use of their products.

Thus, the gap keeps growing. The technological and scientific advances achieved by industrial nations accelerate this process. While industrial nations naturally use their resources to improve their technology, developing nations do not have even the means to borrow it. Even so, modern technology offers to the developing nations the possibility of avoiding the earlier stages of development and thus overcoming the challenge of poverty.

How can this possibility be realized? How can nations, now embarking on the difficult task of modernizing their economies, be helped to telescope their industrial efforts — spread over two to three generations in most advanced countries — into a decade or two? How can they mobilize the immense capital needed for investment in developmental projects while making at least some provision for social welfare? How long can the hope of a minimum improvement in the standard of personal consumption be postponed, when the people are so conscious of their rights as well as of the grim realities of their comparative situation? How can economic activities meet the requirements of efficiency and be geared to the achievement of rapid advance, while ensuring the dignity of the human being and guaranteeing to the individual full enjoyment of his fundamental rights?

These conflicts cannot be resolved in a day or even in a decade. Their solution demands patience, understanding, right motivation, and above all, a far greater effort and bigger sacrifice than we have so far volunteered. Poverty corrodes the spirit of the poor and weakens their will to overcome it. The wealth of the prosperous grows in isolation and does not provide support to those who need it. The world economy has no built-in corrective. Economic processes must therefore be guided by a moral purpose and directed towards desirable ends by the political will of the international community. Otherwise, only those nations which have inherited economic advantage from historical accidents can hope to achieve the maximum gains within the area of their political control.

¹ *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

Responsibility for development must primarily be shouldered by the developing nations themselves. Political domination over the process of development by nations which economic power is inconsistent with the provisions of the Charter to which we all subscribe. What we need is a global strategy of development, an integrated programme of international co-operation, which outlines convergent measures to be undertaken by every Member State of the United Nations. The elimination of poverty and the development of impoverished regions are now widely accepted as international obligations. In order to discharge them, it is imperative that the international community finds ways and means to intervene effectively in defining the responsibility of economic power, in matching resources to needs, and in guiding economic forces towards progress and peace.

Distinguished representatives assembled here have the experience of the last seven years of the Development Decade to guide them in their deliberations. Seven years is too short a period for mankind to tire or despair in this unprecedented endeavour. On the contrary, any shortcomings and inadequacies should spur us to a bigger and bolder effort. Remember, millions of people hopefully await on your decisions—the growers of jute,

copra and cocoa, the miners of manganese and tin, the spinners and the weavers, to mention only a few. Their future, their own livelihood and the lives of their children, as also the capacity of their governments to provide the base for development, are at stake.

The consequences of failure are too terrible to contemplate. Years ago Rabindranath Tagore wrote "Power has to be made secure not only against power, but also against weakness: for there lies the peril of its losing balance. The weak are as great a danger for the strong as quicksand for an elephant. They do not assist progress because they do not resist, they only drag down. The people who grow accustomed to wield absolute power over others are apt to forget that by so doing they generate an unseen force which some day rends that power into pieces." The question before the advanced nations is not whether they can afford to help the developing nations, but whether they can afford not to do so.

Poverty cannot be the destiny of the majority of mankind. I believe we have the power and the wisdom to give all these people new hope. With this faith I inaugurate the second session of the United Nations Conference on Trade and Development.

Address by Mr. Dinesh Singh, Minister of Commerce of India, President of the Second Session of the United Nations Conference on Trade and Development, at the 37th (opening) plenary meeting, 1 February 1968

Allow me to express to all assembled here my sincere gratitude for the honour you have done me in electing me the President of this Conference. I am overwhelmed by the expression of confidence you have reposed in me. I can only assure you that I shall do my best to discharge the responsibilities you have been good enough to assign to me.

I am equally conscious of the honour which you have done to my country in asking the leader of the Indian delegation to preside over your deliberations. My countrymen would wish me to tell you how appreciative they are of your generous gesture.

May I also take this opportunity to welcome all the participants to New Delhi and to India? We are a developing country, and we are aware that we cannot provide all the comforts and the facilities to which representatives would be accustomed at the headquarters of the United Nations. We have tried to the limit of our capacity to improvise the physical facilities needed for a reasonably comfortable stay and for the successful transaction of the business of the Conference. There will, inevitably, be some gaps in our effort. I would plead with you to be indulgent towards our shortcomings and to put up with the inconvenience and discomfort.

I believe that when the representatives of Member States voted for the second session of the Conference to be held in a developing country, they must have had a purpose in desiring the problems of economic development to be resolved in a setting appropriate to the difficulties we have met to overcome.

Twenty years ago we achieved our independence. Since then the task to which we have applied ourselves primarily has been the removal of poverty and ignorance so that our people could live better, and with dignity. In 1951, Prime Minister Jawaharlal Nehru initiated our first Five-Year Plan and launched us on the exciting enterprise to overcome under-development. We have a number of successes to our credit and yet many problems remain unresolved. Also, new difficulties have to be faced. I need not describe in detail the setting in which you will be working. You will have opportunities to see it yourself and also to converse freely with those who have been engaged in this struggle. I am sure that what you see and what you hear will convince you of the urgent need for bold action.

Since the first session of the Conference met in Geneva in 1964, many new Member States have joined us. I extend a most cordial welcome to the new entrants—Barbados, Botswana, Gambia, Guyana, Lesotho, Malawi, Maldives Islands, Malta, Singapore, Southern Yemen and Zambia. I look forward to the contribution which, I am confident, their representatives will make to the success of the work of the second session of the Conference.

We also have in our midst distinguished representatives of the specialized agencies of the United Nations, of the regional economic commissions, and of various inter-governmental and non-governmental organizations. The work of these organizations is intimately connected with the tasks of the United Nations Conference on Trade and Development. Their representatives have,

therefore, a very valuable role to play. I welcome them and I invite them to help the Conference to evolve integrated programmes of action and assist our continuing machinery in implementing them.

Nearly four years have passed since the first session of the Conference met in Geneva. For the first time, an international development policy, integrated and wide ranging, was enunciated by the Conference and was embodied in its Final Act.¹ The Conference also set up a continuing machinery, with the working of which we are all familiar. The secretariat, the Committees and the Trade and Development Board have worked hard; valuable studies have been carried out; many worthwhile documents have been produced; and we now have a better idea of what is wrong with the world economy and with international economic relationships, what needs to be done in this regard and by whom. Yet, we have not been able to act in the light of what we know.

It is not that the world has stood still since 1964. Many changes have taken place for the better, especially in the dynamic sectors of the world economy. But the developmental process in the developing parts of the world moves at a snail's pace and the obstacles, though identified, remain unsurmounted. We talked at the first session of the Conference of gaps of various kinds and discussed ways and means of bridging them. These gaps are now wider than ever before. The work of the first session aroused expectations; but fulfilment is lagging behind. Of all these gaps, the new gap — that between expectation and fulfilment — poses the most serious challenge to the international community. The task before us, at this second session, is to meet this challenge.

I have heard it said in some quarters that "the Conference comes at a bad time". I concede that there are many elements in the economic situation which discourage us. The developments on the political front are disquieting, too. Economic and political pressures are mounting on governments. Competing demands on the resources of countries in the forefront of economic progress weaken their will to make their due contribution. The unfulfilled need for external inputs accentuates tension in developing economies and intensifies the frustration of their peoples. Never before was the need for adequate international action greater.

Those who say that the Conference has met at a bad time would appreciate that if the situation is allowed to drift, it will become worse, and not better. This is why I am emboldened to say that the Conference meets at the right time.

Frustrations with lack of tangible success are growing apace. The situation can be met only if we are able to kindle hope. We have the experience of political emancipation to guide us. I need not recall the unequal struggles waged by down-trodden peoples, the tragic sufferings caused by delays in putting intentions into effect; and the travail which attended the emergence of the new political order. Surely, economic emancipation can be achieved

without nations having to go through these traumatic experiences. Those of us who are assembled in this Conference know what needs to be done to achieve it. It is our duty to rescue international co-operation from the present morass and set about building it up so as to bridge the gap between the intent expressed in the Final Act adopted in Geneva and its fulfilment. Should we fail, and should the present trends in world economy persist unchecked, the gains so far made may be put in jeopardy and the confidence so painstakingly built up in the United Nations to find peaceful solutions of international problems in the economic and political field may be shaken.

I should like to place before you the politico-economic situation as I see it. The advance of technology has brought the peoples of the world into intimate contact with one another. While ways of life, emotions, passions and ideologies are transmitted rapidly from one part of the world to the other, and quickly evoke reactions and responses, modern techniques of production and the means to achieve economic growth remain concentrated in one part. A small minority in the world possesses the bulk of financial and technological resources while they are denied to the vast majority which requires them desperately. Surely, the poor have the right to better living conditions and the weak to become strong. The primary responsibility for development, of course, rests on the developing countries. They are intent on eliminating poverty and overcoming their backwardness. But they can succeed only if structural changes are made in the existing order of economic relationship. Fortunately for us, the first session of the Conference and its continuing machinery have not only surveyed the problems in some depth but also succeeded in delineating a peaceful path to progress, for one and all. Can we follow this path? Or shall we turn away from it? This is the main question before this Conference.

Many eminent men, more particularly, our distinguished Secretary-General, Mr. Raúl Prebisch, have said that the problems which baffle nations individually can be resolved if we are determined to make a collective international effort. These problems cannot be solved by developing countries nor by developed countries, acting in isolation. The chronic difficulties we encounter can best be overcome not merely by individual, isolated or sporadic efforts but by co-operation amongst nations. What is needed today is a massive global effort consisting, as has been aptly stated, of synchronized or convergent measures, in all appropriate fields, taken in concert by all agencies concerned and by all the Member States participating in this Conference.

Can we at this Conference decide on these measures and agree to construct a framework for economic forces to impart a new direction, a fresh momentum, to the developmental process? Some good friends have shared their doubts and apprehensions with me. But I do not despair, I have every confidence in the ability, the will and the determination of distinguished representatives to forge ahead.

There is, I believe, a fundamental harmony in our separate national interests. The confrontation we hear about between developing and developed countries does not arise out of any basic contradiction between their respec-

¹ *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

tive interests. The conflict, if any, is between short-term possibilities and long-term requirements. I entertain a strong hope that it will be the privilege of this Conference to uncover the basic harmony in the ultimate interests of the peoples of the world and to evolve ways and means to break through current limitations and to surmount short-term difficulties with the aim of reaching long-term goals as speedily as practicable.

The economic techniques to overcome the obstacles which block the road to progress have been discovered and now command a wide measure of intellectual acceptance. The possibilities provided by technological developments are well known. It is the task of the representatives of sovereign nations who will be putting their heads together over the coming weeks to bring to bear their political will on these techniques and these possibilities and help to work out a *modus vivendi* between the current constraints on national contribution to international action and the economic, political, ethical and moral imperatives of the situation in which the world finds itself.

The Conference has a lengthy agenda before it, perhaps too long for us to be able to devote full attention to each and every subject. We are grateful to the Trade and Development Board, which under the able guidance of Ambassador Jolles has made our task easier by categorizing the matters coming up before us for consideration into three distinct parts, namely review, negotiation and exploration. It will be my endeavour to try to evolve, with your help, the means and mechanisms for handling each of

these three categories so that the best possible results may be secured for the largest number of items within the comparatively short time available to us.

A great deal of preparatory work has already been done. I am sure I am voicing the feelings of all delegations when I express to Mr. Prebisch and his staff our appreciation for the most valuable documentation which has been provided us. We have also before us reports of studies made by various specialized agencies. National delegations are also, I believe, fully prepared for the task ahead of us. The developing countries have taken the trouble to embody their suggestions for our work in the Charter of Algiers (TD/38). The Governments of industrial nations have had time to examine these suggestions and exchange ideas among themselves. It should not, therefore, be too difficult for us to address ourselves, in a business-like manner, to the items on the agenda and to arrive at agreed conclusions on the issues raised and proposals put forward in the documents before us.

The eyes of the world are upon us. The peoples whom we represent have reposed their confidence in us. Let us prove ourselves worthy of this confidence, and let us pledge ourselves to adopt practical programmes for national and international action, in the field of trade and development, to reinforce the competence of the continuing machinery to implement them, and thus to bridge the many gaps of which we have talked for so long. To this end, I now invite you to turn your attention and to direct your energies.

**Address by the Secretary-General of the United Nations
at the 51st plenary meeting, 9 February 1968**

I am very glad indeed to find myself in your midst today and to have this opportunity of sharing a few thoughts with you. It was with great regret that I cancelled arrangements previously made for me to address you at the inauguration of the second session of the United Nations Conference on Trade and Development with the Prime Minister of India, Mrs. Indira Gandhi. I was therefore most happy to find that it was possible for me to re-schedule my visit to India in the first full working week of your Conference.

I should like to begin by expressing the warmest appreciation of us all to the Government of India for the generous hospitality it is extending to the United Nations for this Conference. Those who know the magnitude of effort involved in preparing for a conference of this size cannot fail to have been impressed by the feat of organization that has been performed, not only in regard to the Conference facilities proper, but also with respect to accommodations and the other numerous requirements.

It is also a matter of deep satisfaction that it has been possible to hold this second session of the Conference in a developing country. I believe that the advantages that will flow from this fact will be found to justify the unusual efforts that have had to be made by the host Government, by the participating delegations and by the Secretariat. The substantive problems with which we have to deal

would, of course, be the same whether we met here or anywhere else. But I am fully in agreement with those who have felt that it is important, from time to time, to place these problems in their proper setting and view them from the perspective of that setting. I am sure that the deliberations of the Conference will gain greatly from the fact that they are being held in New Delhi.

On this occasion I wish to pay tribute to my distinguished colleague, Mr. Raúl Prebisch. All delegations assembled here are aware of the quality of the personal contribution he has made as the Secretary-General of UNCTAD during the last four years. I shall continue to count in the future, as I have in the past, on his invaluable advice and assistance in all matters related to trade and development.

Over the past few months one has heard it said that the timing of the Conference is unfortunate. The war in Viet-Nam continues, and is not only a tragedy in itself, but limits the freedom of action of some Governments, and even their ability and will to attend to other matters.

It has also been said that the Conference comes at a bad time inasmuch as Governments faced with pressures on their balances of payments or budgetary resources would find it difficult to enter into new international commitments whether on trade or aid. Indeed, the recent past has witnessed a number of setbacks in international economic

relations, and there is evidence of serious uncertainty about the future of the world's trade and payments system.

Excuses for delay can, of course, always be found if one is disposed to do so. On the other hand, it can scarcely be suggested that we have been unduly hasty in calling this Conference. Indeed, the Final Act of the first session of the Conference¹ provided that the second session should be held early in 1966. The two additional years that have elapsed have been used fruitfully to prepare the ground, and as a result there are a number of issues which are ripe for action. If there are difficulties and dangers ahead, let them be brought forward and frankly discussed here at this Conference. If we face the possibility of retrogression, the need for the Conference is surely even greater, not less.

Above, we cannot continue indefinitely to postpone the consideration of action in the hope of better times in the political arena. The political and economic strains in the world are interdependent and we must move forward on both fronts together if we are to achieve satisfactory results in either.

The intimate relationship between the political and economic aspects of world problems was the subject of a remarkable statement by the President-designate of the International Bank for Reconstruction and Development (IBRD) at Montreal nearly two years ago. As he pointed out at that time, there is a direct and constant relationship between the incidence of violence and the economic situation of the countries afflicted, and he drew attention to the danger of assuming that problems of security could be dealt with by purely military means. The most important ingredient of international security is economic and social development, and not the armaments and armed forces, however powerful the latter may seem to be. Mr. George D. Woods, the present President of IBRD, who is here with us this morning, has, of course, expressed similar sentiments and viewpoints on several occasions.

What can we say about progress since the first session of the Conference in 1964 in creating the conditions for economic and social development? It must be admitted that to a large extent it has been a period of frustrated hopes. The countries that agreed in 1964 to the establishment of UNCTAD are well aware that the building of a new institution, however necessary and important, cannot be a substitute for substantive measures. Nevertheless, the setting up of UNCTAD has unfortunately not yet led to the adoption of the measures which the situation patently requires.

The failure in this respect is particularly difficult to accept in the light of the notable success which has attended the negotiations connected with the Kennedy Round and the question of international monetary reform, even though more recent events may have cast a shadow on the latter. Unfavourable as the circumstances have been, it was found possible by the major trading nations to agree on an unparalleled programme of tariff disarmament in the middle of last year. This was quickly followed by

agreement at the annual meeting of the International Monetary Fund at Rio de Janeiro in September 1967 on an outline scheme for international monetary reform.² What is it that made it possible for success to be achieved in these two major areas at a time when it was considered impossible to expand the efforts being made in the much more basic problem of world economic development?

If we are frank with ourselves, I think we may identify two main reasons for the difference. The first is that, although both the Kennedy Round and the outline scheme for international monetary reform will tend to benefit the developing countries to some extent, their main significance is in regard to the economic relations among the developed countries. And it is simply a fact of life that the developed countries have a larger volume of trade and monetary exchanges with one another than with the developing world.

But there is a second and perhaps even more significant reason for the difference. While the new developments in trade and monetary relationships among the developed countries involve an exchange of reciprocal obligations, the developed world continues to regard its economic relationships with the less developed countries as a one-sided affair in which concessions are granted but not received. Human nature being what it is, countries are much more willing to consider concessions for which there is some *quid pro quo* than those which are, or at least appear to be, unilateral.

One could, of course, point out that world economic development is a matter of co-operative action to secure objectives that are common ground among us all, and which have been repeatedly accepted and endorsed by the General Assembly of the United Nations, by UNCTAD and by other global and regional institutions. But the acceptance of high-minded principles is not the same thing as securing effective action for their implementation. I do not in any way underrate the importance of moral principle as a guide to national and international action. Indeed, I continue to believe in the disinterestedness of all those in the advanced countries who have helped to support the idea of commitments by the developed countries to assist in accelerating world development. We can, I think, take particular satisfaction in the small but increasing group of developed countries which have not only accepted the assistance targets of the General Assembly and of UNCTAD but which have either already implemented them or have publicly stated their intention of doing so within a fixed period of time. Enlightened acts of economic statesmanship of this kind will, I am sure, be of growing importance in the years ahead, and one must hope that the time is not far distant when all the developed countries will feel able to emulate the achievements of those among them — by no means the largest or richest — which have already assumed precise commitments of this sort.

There is a danger of viewing the problem of reciprocity in too narrow a context. It is true that developing countries are not in a position to match the tariff concessions granted by the developed countries in the Kennedy

¹ *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

² See IMF, *Summary Proceedings, Annual Meeting, 1967*.

Round, and this fact was fully recognized in the negotiations. But that does not mean that the opening up of markets for the exports of developing countries would benefit only these countries. People are apt to forget that the developed countries stand to gain no less than the developing countries from a rationalization of the trade relations between them. The developed countries find themselves short of labour and even of capital, and yet they are protecting the inefficient use of both these resources in sectors of agriculture and industry which could be much more efficiently supplied from developing countries. One could understand this protectionism if there were large-scale chronic unemployment in the developed countries, but this, of course, is very far from the situation that prevails. Nor would anyone expect the developed countries to lower their trade barriers in a manner which would create serious disturbance to their economic life. A gradual approach to the problem would surely be acceptable to all so long as we are moving in the right direction. What is happening at present, however, is that restrictions are maintained and even intensified because of the fear of short-term difficulties. Thus, the long-term benefits tend to be sacrificed to short-term expediency. But what I want to emphasize is that it is not simply the developing countries that suffer from all this, but the developed countries as well. One cannot therefore accept the proposition that the restructuring of world trade on a more rational basis is something which is exclusively in the interests of the developing countries.

Even when we come to the area of aid, it should not be assumed that the benefits accrue entirely to the developing countries. I am not here concerned with aid given from the narrow standpoint of political or military security. Nor, once again, am I in any way downgrading the importance of aid as an expression of international solidarity. I fully subscribe to the remark once made by the distinguished Minister leading the United Kingdom delegation that: "If one seeks to abolish poverty at home, one should seek to abolish it abroad. If one wants a Welfare State, one should ultimately want a Welfare World."

But aid brings much more direct advantage to those who give it. In the short run it creates additional purchasing power for the exports of the donor countries. More important, in the long run it helps to accelerate the growth of developing countries and thus builds markets for the future — markets which will be able to pay their own way. Aid is thus an investment in the future which will be of direct benefit to developed and developing countries alike.

I would therefore suggest that the questions of trade and aid before this Conference do not involve as one-sided an approach to the problem of development as is sometimes suggested.

Even so, we must go beyond this. We must try and envisage ways in which the assumption of concrete commitments by developed countries could be accompanied by corresponding commitments in developing countries. As I mentioned earlier, it is now common ground among us all that equivalence of concessions in the narrow sense should be required only of countries of comparable economic strength and not of countries with vastly different economic potentials. The matching of commitments

by developed and developing countries should therefore be viewed from the very different situations of each as well as from the very different responsibilities which they bear in relation to the development problem.

The developing countries have accepted that the fundamental responsibility for solving their own development problems rests with them and that the commitments which they can and should undertake flow naturally from this recognition. I will not attempt in this brief statement to spell out the details of such commitments any more than I intend to dwell upon the undertakings which the developed countries may wish to consider. It does seem to me, however, that UNCTAD provides a forum — in my view, the only forum — in which this matter could be fruitfully discussed, fruitfully negotiated and resolved.

UNCTAD could be particularly effective in this sense because it includes representation from all the main groups of countries — developed market-economy, socialist and developing. I am particularly struck by the opportunities which exist for joint approaches by socialist and private enterprise countries to the problems of development. Naturally there are bound to be differences of view between them as to the broad strategy of development, and these matters will continue to be discussed during the years ahead. But I believe there is some basis for saying that the ideological content of the debate over the development problem need no longer deter us from entering into specific schemes of co-operation across political frontiers. It has already been found possible for private enterprise to co-operate with socialist enterprise in projects of mutual interest in Europe, and it is, perhaps, not unrealistic to foresee that such co-operation could be extended to projects in the less developed parts of the world.

I believe that there are many other ways in which the trade and aid policies of the private enterprise and socialist parts of the world could be brought together. The time is, perhaps, approaching when socialist participation in multilateral aid could be considered as a logical step forward from their present participation in multilateral technical assistance as a useful complement to their bilateral endeavours. But one must recognize that a number of other conditions would have to be fulfilled, notably a solution of a number of difficulties now besetting East-West trade and payments. For it is an inevitable consequence of growing international interdependence that the construction of any one channel of economic relationships tends to react adversely upon other channels as well.

These are challenging problems and I am sure that every effort will be made on all sides to go beyond the routine expression of entrenched positions in discussing them here, with a view to reaching negotiable solutions. There is no spirit of confrontation but rather of earnest endeavour to seek workable and mutually acceptable solutions. I think it will be recognized on all sides that the Charter of Algiers (TD/38) represents a serious effort by one of the groups participating at this Conference to state the problems that the Conference faces without rancour or bitterness. It is, I am sure, to be viewed not as a statement of demands but as a basis for discussion — a discussion in which give and take is to be expected on all sides.

My own view is that developing countries will in any case find their own way towards the solution of the economic problems that now confront them and that in the long run they will overcome the obstacles which they face, with or without a better framework for world trade, and with or without more external financial resources.

The real question is not whether development will occur, but how it will occur and within what international framework. Do we envisage a framework of international co-operation or a framework in which the developing countries are forced back largely upon their own resources

and are compelled to take the political and economic steps required for an autarkic pattern of development? No responsible person will expect the problem of centuries of economic backwardness to be solved overnight. The world is, however, entitled to expect a clearer definition of the objectives to be achieved in the longer run and an indication of the practical steps which each country and group of countries intends to take for the realization of those objectives.

That is the issue before the New Delhi Conference. That is the question to which the whole world expects an answer.

**Statement made at the 39th plenary meeting, 2 February 1968,
by Mr. Raúl Prebisch, Secretary-General of UNCTAD**

First of all, I should like to convey to the Government of India, on behalf of the UNCTAD secretariat, my sincere thanks for the extremely efficient way in which it has organized this Conference. We who have some experience of international conferences can only admire what has been accomplished here in New Delhi. Yesterday, the President of the second session of the Conference told us that the Government of India had done everything that the Government of a developing country could do to organize things efficiently for us. I would say that, from this point of view, India can be classified as a developed country, not only because of the efficiency to which I have referred, but also because of the friendliness and hospitality shown to us at all times. I would ask the President to convey our deep appreciation to Mrs. Indira Gandhi, the Prime Minister of India, and also to tell her how much we admired the address she delivered at the inaugural ceremony on 1 February.

This second session is meeting in circumstances very different from those of its predecessor. Four years ago, the economy of the major industrial centres was booming, but perhaps not everyone had a clear idea of the significance of the first session nor of what contribution it might be expected to make as regards solving the problem of development.

Since then, we have passed through an important stage; we now have a better idea of what has to be done — I might even say, we know very well what has to be done. On the other hand, the situation of the major industrial centres is not the same as it was before; the international climate, too, is no longer the same.

It is therefore understandable that doubts should have arisen about the timeliness of the second session of the Conference. I do not share these doubts by any means. The circumstances of the moment must not make us forget that we are faced with a basic problem which demands long-range solutions. The fundamental aim of this second session is precisely to deal with this problem. The Conference is not just an excursion liable to be spoiled by bad weather; on the contrary, we are preparing a long and difficult expedition which, although it has to cope with the vicissitudes of the weather, must not be diverted by them from its final objective.

We must in any case be on our guard against these vicissitudes. When, four years ago, the weather was exceptionally good, there were those who thought that the radiation of prosperity from the centres and the good behaviour of the periphery provided the key to the problem of development: the terms of trade had improved, primary exports were increasing at satisfactory rates, and — it was also added — the Kennedy Round would offer the peripheral countries great opportunities for the expansion of their trade.

These optimistic arguments have vanished into thin air. I am reminding you of this now because this is an interesting case of the persistence of factors that inhibit any practical action. When the weather is good, the imperative need for a long-range policy to help the peripheral countries is not felt. And when the weather is bad... well, it is not the right time for formulating such a policy.

Something similar occurs in the peripheral countries. When things are going well, attention is diverted from the fundamental transformations that must be carried out in order to prepare the way for a high rate of development. And when times are bad, these transformations, which are difficult enough in themselves, are usually postponed until some more propitious future date.

I have no hesitation in saying that this Conference is meeting at an opportune moment and that it has a great role to play, if, disregarding transitory or temporary circumstances, it helps to map out the broad outlines of that global strategy of development and international co-operation referred to so aptly yesterday by the Prime Minister of India in her memorable inaugural address. If this is accomplished, the Conference will have left a definite mark on the history of international co-operation.

I am convinced of this. I do not, however, blind myself to the fact that, if the Conference does nothing more than this, it is liable to expose itself to criticism — criticism which should be warded off in time. It may be thought, in fact, that this would be one way of dodging the issue and leaving it for the future on the ground that agreement could not be reached on the specific measures which ought to be initiated here and now.

The truth is that the one thing is unthinkable without the other. The strategy must indicate the principal aims to

be pursued; the specific measures, after being duly fitted into the strategy, must be geared to the gradual accomplishment of these aims, without, of course, overlooking the fact that circumstances might make it inadvisable to apply some of these measures on the scale required.

This is the task that lies before the second session of the Conference and concerning which I should like to make some comments at the risk of repeating what I have said in my report.

I shall begin with the strategy. In my opinion, the starting-point here must be recognition of the following principles:

Development is the primary responsibility of the countries that propose to develop.

In order to discharge this responsibility, the peripheral countries need the co-operation of the centres.

The co-operation of the centres should not be residual — as it has been so far — but should be given a high priority; and it cannot be based on the immediate trade interest of this or that industrial country, nor on its particular intention to secure certain political concessions, but on the aim of solving a great common problem, namely, the problem of development.

All this, as well as meeting a compelling human need, is of paramount political importance for the whole world and opens up vast prospects for the expansion of world trade to the mutual advantage of industrial centres and peripheral countries.

This solution of the common problem of development requires both groups of countries to adopt a series of converging measures aimed at clear and definite targets which should be progressively quantified at the level of the peripheral countries and at the international level.

These converging measures are indispensable for tackling the three main obstacles that make it difficult to accelerate the rate of development: the persistent trend towards external disequilibrium — the trade gap; the chronic disparity between savings and mounting investment requirements — the savings gap, and the external vulnerability of the peripheral economies.

As regards this combination of converging measures, it is essential that the industrial centres should afford greater access to their markets for the exports of the peripheral countries.

Similarly, the centres must increase their flow of financial resources in order to accelerate the rate of growth of the peripheral countries. These resources should be accessible to countries showing their determination to shoulder this responsibility. Their determination to develop will be very limited in scope unless this flow of resources is adequate. And these resources will be largely wasted without an energetic policy of internal development.

This policy of internal development makes it absolutely necessary for the peripheral countries to undertake with determination a series of internal transformations of their structures and attitudes, where this has not already been done; and it also requires them to be prepared to adhere to the reasonable discipline of a development plan, to spur on their reciprocal trade by means of regional or sub-regional groupings aimed at economic integration,

and to promote inter-regional measures for the expansion of trade.

Clearly all these measures come within the domestic jurisdiction of such countries: they cannot be imposed on them from outside nor can they be the object of international negotiation. It is for each country itself to decide whether it is prepared to shoulder the heavy responsibility which economic and social development involves.

All these converging measures are geared to the need to quicken the pace of development of the peripheral countries until such time as they manage, one after the other, to achieve a high growth rate and to maintain it with their own investment resources.

But why do the peripheral countries need to accelerate their rate of growth? Could they not be content with a relatively moderate pace, like that of the industrial centres during their historic development?

This question was raised in the Trade and Development Board. The answer is conclusive. The historic experience of these countries can never be repeated, either as concerns the pace of development or in any other respect. Perhaps it would be possible to repeat it if we could revert to the production techniques of a century ago, if we could prevent news of the new forms of private consumption and social well-being from spreading continuously — a development which is the natural outcome of mass communication techniques — and if we could turn back the clock and erase the progress which the masses of the people have achieved in their political and social development.

But what has happened cannot be undone; and this being so, the need for a high rate of growth is imperative in order to galvanize the economies of the peripheral countries. A moderate rate does not allow the constantly increasing population reaching employable age to be satisfactorily absorbed into the modern sectors of production. This is a very serious phenomenon of inadequate dynamism, and it is urgently necessary to start rectifying it, both because of what it means in itself and because of its explosive social implications.

The classic example is the migration of people from the countryside to the towns. Only some of those who make such a move are really absorbed by industry and other sectors; the rest — in distressing proportions — become redundant in those sectors or remain outside them.

There is a pressing need first to prevent this phenomenon of inadequate dynamism from growing worse, and then to remedy its earlier consequences. This would be impossible with those historic rates. It is vitally necessary to raise the rate of growth, and this must be the prime objective of the strategy.

If this objective is to be achieved, *per capita* productivity in the different sectors of the economy must be increased. And here we are faced with a dilemma, especially in the case of the agricultural sector.

Food production must be stepped up. It is sometimes thought that this could be done, while at the same time retaining in the countryside a greater proportion than at present of the increment in the rural labour force. However, if this were possible — and it might be to a very limited extent — *per capita* productivity could not be satisfactorily raised, and if the emphasis were to be laid

on higher productivity, this greater proportion of people could not be retained in the countryside and even more of them would migrate to the urban centres.

I am inclined to think that, as new techniques penetrate into the agricultural sector, *per capita* productivity will rise and, as a result, the movement of people seeking work in other sectors will become even greater than now. And if these other sectors are also modernized, by means of techniques which generally result in economies of manpower owing to the increase in *per capita* investment, the phenomenon of inadequate dynamism will become even worse.

Thus, we shall have escaped from a dilemma only to be confronted with the following paradox: in order to rectify this inadequacy, the pace of growth must be accelerated; to accelerate the pace, productivity has to be raised; and, in raising productivity, the phenomenon becomes worse, to the detriment of the pace of growth which might otherwise have been achieved.

Now, in order to quicken the pace, it is essential to raise the rate of investment, and without the inflow of international finance this could not exceed a certain limit. Only if the economy's absorptive capacity is expanded in this way will it be possible to convert the increment in productivity into a corresponding increment in real income. Moreover, if a substantial part of this income increment is used for savings, and not for consumption, the inflow of international finance will have a genuine multiplier effect on domestic savings. I have not the slightest doubt that the small volume of this flow during the current decade has meant a gigantic waste of this savings potential in the peripheral countries.

I will not enlarge on this aspect, as I believe I have said enough already to bring out the meaning of the global strategy — global because of the concerted action of industrial centres and peripheral countries, and also because it has to encompass the different aspects of development which cannot be considered in isolation. Actually, to propose to accelerate growth by tackling the internal aspects and disregarding external disequilibrium is to risk sacrificing much of the effort. To try to correct external disequilibrium, without taking other action to speed up the growth rate, means that the latter will not gather the desired momentum. And to continue all this without correcting external vulnerability is to jeopardize the entire strategy.

Such is the essential meaning of the global strategy: to support a vigorous policy of internal development by means of measures of trade co-operation and financial co-operation at the international level.

I believe that the twenty years of its existence have fully prepared the United Nations for the great responsibility of formulating such a strategy, quantifying its targets and the means of attaining them, and organizing the periodic review of its implementation both by the industrial centres and by the peripheral countries in co-operation with the regional economic commissions and the specialized agencies.

But this second session of the Conference cannot confine itself merely to considering the strategy. It has a very long agenda before it and, in order not to dissipate its efforts, it must concentrate on those points of crystalliza-

tion that were emphasized at the fifth session of the Board¹ by its President, Mr. Jolles, and which are, precisely, salient points of the global strategy inasmuch as they propose to tackle the three problems I mentioned earlier: external disequilibrium, the savings gap, and the external vulnerability of the peripheral economies.

As regards external disequilibrium, there are two main points: the need for the industrial centres to provide easier access for exports from the peripheral countries, and the no less vital need for the latter to expand their reciprocal trade.

So far as the first point is concerned, there is a series of measures on which specific agreements could be reached.

To deal first with primary commodities:

The inclusion, in the consumption or consumption increment of the industrial centres, of imports from peripheral countries of commodities competing with the production of these centres; and the negotiation of their inclusion commodity-by-commodity;

The gradual and automatic reduction of the internal levies which obstruct the consumption of tropical products in the centres, where these levies exceed a given ceiling — the ceiling also to be negotiated product-by-product.

And to deal next with industrial products:

Elimination of restrictions through a programme of gradual and automatic reductions over a given number of years; and

Preferences for imports of manufactures and semi-manufactures from the peripheral countries.

In the matter of preferences, noteworthy progress has already been made; and it is to be hoped that, once a general and non-discriminatory system has been accepted, its basic principles can be defined.

The adoption of such a system will make it possible to tackle the difficult problem of vertical preferences. There would seem to be no serious obstacles where manufactures and semi-manufactures are concerned. In the case of primary commodities, reasonable transitional formulae should be found which will not be prejudicial to the countries enjoying these vertical preferences, coupled with appropriate measures of technical and financial co-operation for facilitating the transition.

It would be an immediate relief for such countries if the preferences they grant reciprocally to industrial countries, in which they, in turn, enjoy preferences under the vertical regime, were to be eliminated. These reciprocal preferences are not justified in this era of the Kennedy Round or under the principle of non-reciprocity.

The expansion of reciprocal trade among developing countries is of the utmost importance, and the secretariat has examined a number of possible formulae, ranging from limited arrangements to economic integration. And while it is true that all this is primarily the responsibility of these countries themselves, it is no less true that technical and financial co-operation is also needed from the

¹ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, paras. 30 and 31.

industrial centres. These arrangements, moreover, would receive a considerable impetus from their inclusion in the context of the global strategy and from the faster rate of development which is its aim.

To conclude this brief reference to trade measures, countries which were unable to take advantage of them satisfactorily, especially the relatively less developed and the land-locked countries, should be given all the technical and financial co-operation necessary to do so.

Where trade measures are concerned, the development strategy must define how the peripheral countries are to be fitted into the new international trade pattern that has been emerging among the industrial market-economy countries but without the participation of either the peripheral or the socialist countries.

This new pattern is based on large economic areas, comprising countries or groups of countries, and the most-favoured-nation clause and multilateralism are in operation between these large areas.

The peripheral countries are becoming increasingly aware of the fact that they, too, must group themselves into large areas in response to the demands of technological progress. And the groupings thus formed must fit themselves into the new pattern on the basis of these two important principles. Whether these groupings of developing countries become increasingly more tightly closed blocs, or whether they face outwards and trade with the rest of the world in accordance with these principles, is a question that does not lie entirely within their power to decide: it depends primarily on whether the industrial countries open up their markets to exports from the peripheral countries.

When, thanks to these facilities, the peripheral countries have acquired the competitiveness which they now have to a limited extent only, and when they have corrected the trend towards external disequilibrium, the conditions required for full operation of the most-favoured-nation clause and multilateralism will have been fulfilled. The peripheral countries will then be able to participate as equals in the policy of the world-wide liberalization of trade initiated by the industrial centres.

To look at the matter from another angle, fitting the socialist countries into the new pattern, over and above its intrinsic significance, could greatly stimulate trade with peripheral countries and promote the extension of multilateralism.

I shall now pass on to the main items of the agenda relating to finance. The most important one concerns the matter of increasing the flow of international finance to the developing countries. This is a very difficult problem at the present time for well-known reasons. But if certain leading countries cannot do this now, would they be ready to recognize the need for it and for reaching the level of 1 per cent net of their gross national product when times are better? Would it be possible for them to do what other countries have already done and to fix a period of about five years as a bench-mark for subsequent efforts?

I also believe that, within the set target of 1 per cent of the gross national product of the industrial countries, a

minimum figure of 0.75 per cent could be established for net official aid.

Whatever answers may be given to these questions, I think that, until the right moment arrives, there are other aspects of financial co-operation which could be usefully tackled. The following aspects have been examined in the documents submitted by the secretariat and in my own report: the need to pledge external resources in principle for the basic financing of a development plan, together with the pledge to reach a target as regards the mobilization of domestic resources; the flow of international finance for internal investment, if domestic savings are not enough; liberalization of the terms and conditions of loans; re-scheduling of the debt service burden; and a reduction in the number of tied loans.

None of this is new, but since it still remains unsettled, it is only natural that the second session of the Conference should try to arrive at productive solutions.

One thing that is new is supplementary financing. This, together with the financing of buffer stocks under commodity agreements, would be a fitting sequel to the great achievements of Bretton Woods.

So far as supplementary financing is concerned, it is my belief that thinking has matured to the stage where an agreement in principle can be reached on the fundamental points. This is an aspect which illustrates the nature of the strategy: supplementary financing is an essential part of this strategy if external vulnerability is to be lessened, and this must be recognized when the lines of the strategy are laid down. Furthermore, I believe that this Conference could approve, in principle, the machinery and the fundamental principles on which it is to be based. There will be time later on to pursue the matter further and to proceed to the signature and ratification of an international agreement on supplementary financing. It is estimated that it will not be necessary, before 1970, to allocate annually the \$300 million or \$400 million per year which the experts of the International Bank for Reconstruction and Development consider necessary.

Separation of the supplementary financing machinery from the subsequent allocation of the resources necessary for its operation is a necessity imposed by present circumstances.

It is quite obvious that this supplementary financing is very important for the purpose of cushioning the impact of external vulnerability on the investment programme of a development plan. And the commodity agreements, which, of course, cannot be extended to all commodities, pursue this aim, but on a larger scale. The considerable difficulties that arise in this connexion are to be regretted. It would have been very comforting if an agreement on cocoa had been concluded before the Conference started, but unfortunately it has not yet transpired. I hope sincerely that it will but, in view of what has happened, I will not venture any predictions. Yet all this is not enough to mitigate the effects of internal vulnerability on the income and internal demand of the peripheral countries; that calls for converging measures to be adopted by these countries themselves.

Unfortunately, the peripheral countries are already suffering from the effects of the circumstances to which I have referred. Their exports did not rise in 1967, and it is

symptomatic that they are making increasing use of the International Monetary Fund's compensatory financing facility.

Of course, it was inevitable that action had to be taken to re-establish equilibrium in the international transactions of some leading countries. But its effects so far as the rest of the world is concerned cannot be ignored.

In this connexion, it is worth remembering that a few days ago the States members of the Organisation for Economic Co-operation and Development, meeting in Paris, reached agreement on the need to counter the deflationary trends set off by recent events. The external payments deficit of some countries has as its counterpart the surplus of some others. And if the latter follow a sound policy of expansion, they will help considerably to mitigate the effects of the measures which the former have found themselves obliged to adopt.

Lurking in the background of all this are the serious defects of the international monetary system. This system seems to be much less flexible now than it was when the gold standard held sway in the nineteenth century. And there tends to be a much longer interval between the loss of monetary resources by deficit countries and the redistribution of the corresponding resources throughout the world as a result of expansion in the surplus countries. To which must be added the slow growth of the world's monetary reserves as a whole. Hence, there is an obvious need to reactivate the efforts that have been made to improve the operation of this system, with a view to increasing liquidity.

During the last four years, a genuine consensus has emerged on the inescapable necessity of tackling the development problem and on what must be done to solve it. It is necessary to discuss and it is necessary to clarify matters patiently before going on to negotiate solutions.

**Statement made at the 66th plenary meeting, 12 March 1968,
by Mr. Raúl Prebisch, Secretary-General of UNCTAD**

When this morning I announced to the President my intention to speak today, it was with a great and growing concern in relation to the evolution and the possible outcome of this Conference.

Nearly four years have elapsed since the first session of the Conference. This second session has been carefully prepared. The secretariat has produced all the documents requested by Governments. Committees have been continuously working in Geneva and New York; working parties were set up on various matters. We have had five sessions of the Trade and Development Board and at its fifth session the Board agreed on a list of "points of crystallization"¹—to use the definition given by its President, Mr. Jolles—with respect to which ideas and possibilities had matured in such a way that it could be expected that this session of the Conference would arrive at practical, concrete solutions.

I think that this Conference offers a great opportunity for doing so. Why should it not recognize the fundamental elements of a global strategy and thus further the task which the General Assembly proposes to undertake in order to give substance to a new United Nations Development Decade? Why should not the converging measures of this strategy be formulated if general agreement already exists on the need for it?

The Conference could negotiate the basic terms of these measures and, if some aspects were to remain which required later consideration, it could leave them to the permanent organs of UNCTAD, fixing a time-table here and now for the continuation of the negotiations.

We must not fail to seize the opportunity which this Conference offers us. The problem of development has a solution—one which will certainly take a long time, but precisely for that reason no time should be lost in adopting practical measures. It will also be a difficult task, as all the great achievements of this century have been. This could be the greatest of them all. For it would be a profoundly human achievement if scientific and technological advances were to be used for co-operation between men and not for their mutual annihilation—co-operation to free many men, the great hosts of men living in the periphery beset by endless anxiety and corrosive frustration—co-operation to enhance their dignity, to awaken their faith in the untold promise that such progress holds out, and to foster in them the confident belief that this promise will no longer be a tantalizing illusion but the comforting incentive of reality—of a reality that can be attained by the peripheral countries, too, if they resolve to overcome the obstacles to their development and if the industrial countries decide to support firmly those efforts to make the most of the vast potential offered by the developing world.

But very little has been done. Five weeks of consultations and debate have elapsed during this Conference and I am very sorry to say that we cannot detect—except here and there—very positive results. This Conference is on the verge of failure. I do not hesitate to say so, but this failure can be avoided and should be avoided. We still have a few days. A few days during which we must show patience, energy, determination and also imagination in order to achieve proper solutions to the problems of developing countries. At this Conference, there is no need to explain these problems further or to advocate once again this or another formula. The fact that these are well-known makes even more serious the sombre prospects that I have mentioned if no significant measures are taken here and now.

Moreover, I do not believe that at this session of the Conference we could resort to the procedure of the first session, whereby, after a period of negotiations, and faced with the impossibility of concrete agreements, rhetorical concessions were made which did not serve any practical

¹ See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, paras. 30 and 31.

purpose. Nor could we repeat the procedure of Geneva of agreeing on a text and then adding a "chapeau" that destroys the purpose of that text. What we need is to arrive here at very concrete solutions on the "points of crystallization". I am not selecting these points; these points were chosen by Governments at the fifth session of the Board. They were the subject of a general consensus that the Board's President presented in a vivid way at the conclusion of the session.

I should like to review briefly what has been happening at this Conference with respect to the "points of crystallization". I have at hand the résumé made by Mr. Jolles.

The first point is access to markets. The first session of the Conference approved a recommendation, included in the "chapeau", to eliminate all restrictions to the imports by developed countries of primary commodities from developing countries. After it was proven that this type of resolution was not conducive to anything concrete, developing countries at the Ministerial Meeting of the Groups of 77 adopted in Algiers among other methods of dealing with this problem what I consider to be a very moderate, pragmatic approach. The Charter of Algiers (TD/38) proposes that developed countries should give a share to imports coming from developing countries in their increment of consumption and that negotiations should be conducted to that end, within the framework of UNCTAD, on a commodity-by-commodity basis. I have not seen any positive answer to this very moderate request. Nor have I noted any progress towards an agreement on the mechanisms and methods which are required to achieve the commodity-by-commodity solutions that have been advocated.

With regard to preferences, we should compare, with a certain historical perspective, the present situation to that which existed four years ago. I do not hesitate in paying tribute to the Governments of States members of the Organisation for Economic Co-operation and Development (OECD) for having presented to the Conference their document on preferences (TD/56 and Corr. 1). That document involves a turning point in the commercial policy of developed countries and this should be recognized. But while constituting a good basis for a discussion of the problem, the OECD document is not a complete or perfect solution to the problem. It requires improvement and completion; it requires political balance because, notwithstanding its great value, a system of preferences, as conceived in the document, will benefit a limited number of advanced developing countries but not a sizable number of developing countries which only in the course of time will be able to benefit from the scheme. Hence, without in the least minimizing the meaning of this proposal, I should like to see in the next few days a considerable effort to go beyond the OECD proposal and to try to reach an agreement through a process of patient negotiations. I repeat, to try to agree with developing countries on a common solution to this very important aspect of our problem, and if this is done the merit of the OECD proposal will be considerably enhanced.

In relation to the transfer of financial resources the situation is not encouraging. The aid target of 1 per cent of the gross national product for transfers of financial

resources from developed to developing countries has not yet been accepted. It has been a matter of discussion, methodical discussion, but I do not detect great progress. And this is a fundamental element of any development policy. If the amount of resources transferred from industrial countries to developing countries is not increased, there is no possibility of real progress in the acceleration of the growth of developing countries. I hope that in this matter the Conference, again through a process of negotiation, will be able to agree on a practical solution.

With regard to supplementary financing, I am really distressed. The need for supplementary financing has been recognized in the United Nations, by experts and Governments for many years. But we began to see the light only at the first session of the Conference when Sweden and the United Kingdom of Great Britain and Northern Ireland presented a draft resolution on this matter.² I am afraid that we run the risk of retreating from that point because, notwithstanding the presentation of a concrete proposal by the staff of the International Bank for Reconstruction and Development (IBRD),³ and the very fruitful discussions of the Inter-Governmental Group on Supplementary Financing on this problem, there are still considerable obstacles. What worries me more, is that discussion has again started by presenting supplementary financing, commodity agreements and organization of markets as alternatives. I do not see any incompatibility between them. On the contrary, commodity agreements and supplementary financing are needed, with other measures, to attack the external vulnerability of developing countries.

Why do we think that there is no incompatibility between supplementary financing and commodity arrangements? First of all, not every commodity can be the subject of a commodity agreement. Second, we know the difficulties that are encountered in the negotiation of a commodity agreement. May I recall that when we were sure that the agreement on cocoa was mature, we had to recognize that adverse factors were more strong than the aspirations of the Governments of developing countries and of a sizable group of developed countries. But, even assuming that commodity agreements could cover a reasonable period of time, and I have doubts about it, such agreements will not solve the whole problem. Take, for instance, the case of cocoa. In cocoa, a margin of fluctuation of 20 to 29 cents per lb. was envisaged in the agreement and thus, notwithstanding the agreement, exports of cocoa would continue to be subject to fluctuations. The role of supplementary financing is precisely to attenuate these residual fluctuations. It is clear, therefore, that the two measures are quite convergent in the attainment of the same objective.

Now, let us suppose that in the next five, six, eight years — notwithstanding my doubts, and I hope that I

² See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No. 64.II.B.11), pp. 200 and 201.

³ *Supplementary Financial Measures — A Study requested by the United Nations Conference on Trade and Development, 1964* (International Bank for Reconstruction and Development, December 1965).

am mistaken — we could have commodity agreements for all commodities and that, at the same time, the margins of fluctuations would be gradually narrowed. In that case, the need for supplementary financing would gradually disappear. Supplementary financing would wither away. This would be the time to forget about it but not before.

But this is not only a matter of alternatives. In the discussions of these few days the retreat has been more serious. I know, for instance, that it has been asked whether it is true that a shortfall in export earnings is detrimental to the investment programme of a developing country. Well, is it necessary, when we are trying to protect somebody from the rain, to request that a study be made to determine if somebody will get wet by standing unprotected in the rain? This is what we are proposing to do in supplementary financing by engaging in such discussions. All of us who had something to do with economic and financial policy in developing countries know that shortfalls in exports earnings have very detrimental effects in any investment programme and I was very glad this afternoon to listen to the Foreign Minister of Denmark when he said that planning was jeopardized by shortfalls of exports.

I will not enter into the details of this matter, but I very much hope that an agreement on the main guiding lines on supplementary financing can be attained at this Conference. I do not mean that this agreement would reflect in every way the proposal of the staff of IBRD. From the very beginning I said in the Inter-governmental Group on Supplementary Financing that, in my view, the scheme should not be automatic. I also said that it was a mistake to speak about the policy understanding as a requirement solely of supplementary financing. As we know, the lending institutions have always examined the policy of a country before committing their resources — why, then, consider this as something new in the context of supplementary financing? I pay a tribute to the staff of IBRD but I do not think that it is necessary to follow their proposal word for word. However, I do hope that Governments will agree on the main principles of the scheme.

I do not believe, on the other hand, that it is necessary to wait for the report of the International Monetary Fund (IMF) and the IBRD in response to the Rio de Janeiro resolution⁴ in order to take a decision about supplementary financing, because I understand that the Rio resolution looks at this problem from the point of view of commodity agreements and buffer stocks. As I said before, commodity agreements and buffer stocks are not only compatible but will complement supplementary financing.

Trade relations among developing countries is another point of crystallization of paramount importance. Here,

⁴ Resolution 22-28 on the Establishment of a Facility based on Special Drawing Rights in the Fund and Modifications in the Rules and Practices of the Fund, adopted on 29 September 1967 by the Board of Governors of the International Monetary Fund, in joint session with the Boards of Governors of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association (see IMF, *Summary Proceedings, Annual Meeting, 1967*, pp. 271-279).

I am afraid that we are reaching a deadlock. A matter that appeared so clear and so mature is encountering considerable obstacles. On the one hand, the developing countries have expressed their views on this question. But as I have stressed already on another occasion, it is very essential that the future intentions of these countries be stated in a more formal manner. On the other hand, there is a draft declaration of support for the developing countries' efforts which has been submitted by the market-economy countries to this Conference in response to the request of the developing countries. Until now, it has appeared that it is not possible to modify this text. Yet, with respect to any original proposal presented to this Conference, it should be possible to consider improvements if one is to arrive at proper agreement, and I therefore expect that elements of flexibility will be introduced in this, as well as in the other aspects relating to developing countries, in order to arrive at a positive result.

In relation to trade with the socialist countries of Eastern Europe, there has been a very useful discussion and I read with great interest the draft resolution that the socialist countries have presented [see annex VII to the report of the Conference]. It deals, on the one hand, with problems of East-West trade and, on the other, with problems of trade between the socialist and the developing countries. The two matters are very closely intertwined. It is very important for developing countries that East-West trade relations improve; the impact of this improvement will be felt from many points of view and I hope that the socialist countries will wish to present at this Conference, as they did at the end of the first session of the Conference, some quantitative targets for their trade with developing countries in relation to commodities and industrial products, subject to the possibility of effectively trading with developing countries, that is to say of having reciprocal trade.

In the Fourth Committee, which is dealing with intractables, it is true that some advance has been made in certain aspects, but there are conflicting views on others. It is to be hoped that as a result of intensive negotiation in the next few days, concrete agreements will be reached.

When I drafted my own report to this Conference (TD/3/Rev.1),⁵ I had the hope that we would be able to formulate here the main elements of a real and concrete global strategy of development. It was, perhaps, surprising that, having expressed such conviction on the need for a global strategy, I then remained silent on it during a great part of this Conference. The explanation is very simple. When I saw the difficulties in advancing in a positive way in relation to the points of crystallization, I was unwilling to run the risk of appearing to advocate a global rhetorical solution without concrete measures. But that does not mean to say that I have lost sight of this. Quite on the contrary. However, I must insist on this elementary fact: no global strategy is possible without some fundamental solutions based on convergent measures by the developed and developing countries. I put emphasis on the two terms, "developing" and "developed", and in relation to the first should like to repeat that I do not see any real

⁵ *Towards a Global Strategy of Development* (United Nations publication, Sales No.: E.68.II.D.6).

possibility of accelerating the rate of growth of developing countries without fundamental reforms in their economic and social structures and attitudes and without discipline in their development planning. I do expect that substantive progress in the fields that I have mentioned will enable a systematic preparation of the convergent measures that are required. We should bear in mind, in this connexion, that the General Assembly of the United Nations expects from this Conference a contribution to its own preparations of the next United Nations Development Decade.

This Conference has a tremendous responsibility. A tremendous responsibility commensurate with the urgency and the dimension of the problems of development. We have to recognize that UNCTAD has as yet not been an effective institutional machinery consistent with its purposes. Will UNCTAD continue to be a mechanism absorbing aspirations and producing frustrations? Or will it become an effective organ of the United Nations which not only acts as a forum for debate, but also as a practical instrument of action? It is for representatives at this Conference to decide.

Statement made at the 79th plenary meeting, 28 March 1968, by Mr. Lal Jayawardena (Ceylon) on behalf of the Group of 77 on supplementary financial measures, and on behalf of the Asian Group on the flow of private capital

Ambassador Brillantes of the Philippines had been nominated by the Group of 77 to state their detailed position on the question of supplementary financial measures. In his unavoidable absence this afternoon, it is my privilege to state that position. May I first of all say that we are grateful for the specific expressions of support for the idea of supplementary financing made this afternoon by the representative of Denmark, speaking for the Nordic Group of countries, and by the representatives of Canada, Italy, Spain and the United Kingdom of Great Britain and Northern Ireland.

The recommendation on supplementary financing submitted to plenary by the Chairman of the Contact Group [TD/L.28 and Corr.2/Rev.1, section VI] has had a long and chequered history and I would be less than frank if I did not say that it has failed to meet the aspirations of the developing countries on this matter when this Conference began. Our main objective was to define a comprehensive set of principles within which the Intergovernmental Group on Supplementary Financing could proceed with its work. In the draft we now have, the principles we sought to set out in specific terms survive only in considerably truncated form in paragraphs 1 and 2 of the recommendation. We attach particular importance to paragraph 2 which bases supplementary financing on the idea of protecting a country's development plan or programme against the effects of export shortfalls and which would therefore necessarily base any scheme of supplementary financing on the objective criteria and norms inherent in the planning process. This implies, in our view, a recognition of the principle that the magnitude of disruptive export shortfalls will have to be estimated with reference to the export norm underlying the plan whose integrity, supplementary financing is designed to preserve.

We thus attach the greatest importance to the basing of a scheme of supplementary financing on all relevant objective considerations and criteria used in development planning, so that both the export norm and the policy understanding that are part of the scheme could to the extent possible be determined on an objective basis. This set of ideas is in contrast to the purely discretionary type of scheme of supplementary financing which, in the view of developing countries, does not provide an adequate

basis for the prevention of the disruption of development plans. It also runs counter to the view that a mere extension of the compensatory financing facility of the International Monetary Fund (IMF) provides an adequate answer to the problem of safeguarding plans against disruptive export shortfalls. In the view of the developing countries there is little reason to suppose that the export norm relevant to the formulation of development plans is the same as the norm at present adopted by IMF as the basis for determining claims under its Compensatory Financing Facility. If development plans are to be protected against the effects of export shortfalls in a manner consistent with the objectives of paragraphs 1 and 2 of the present recommendation the only relevant norm of exports to be taken account of is that implied in the formulation of those plans.

In the view of the developing countries, the purpose of preventing the disruption of plans is adequately served only by some variant of the kind of scheme that has been elaborated by the International Bank for Reconstruction and Development (IBRD). In this connexion we are encouraged by the specific support to the IBRD scheme just given by the representative of Denmark on behalf of the Nordic countries. We are also reassured by the introductory remarks that the Secretary-General of UNCTAD has made to us today. Mr. Prebisch has stated, and I was a witness to this, that several developed countries categorically indicated in their interventions in the Contact Group the other night that in their view the IBRD scheme has not been superseded or pushed aside. This was in response to a question asked on behalf of the Asian Group by its Chairman. In my recollection this view was expressed by those very countries to whom the international community must necessarily look for major financial support for the scheme of supplementary financing. This expression of view was encouraging and although the progress we expected in regard to a clear enunciation of the principles of the kind of supplementary financing scheme we want has not been adequate, we have, in a spirit of moderation and conciliation, not withheld our support from this recommendation despite the very deep reservations we have concerning the failure to achieve our original objectives.

The developing countries have a further point to make regarding paragraph 6(v) of the recommendation on

supplementary financial measures. We would like to clarify the thought expressed here and to state that in our understanding of the matter, action by the Trade and Development Board on the question of supplementary financial measures would not be delayed by having to await the outcome of the studies on international commodity policy under the recent Rio de Janeiro resolutions of IBRD and IMF.¹

The developing countries also have a view in regard to the future course of the work on supplementary financial measures within the framework of the machinery of UNCTAD. The present recommendation leaves open the question of how far UNCTAD should proceed in negotiating the details of the scheme. In the view of the developing countries, it is only fitting that a scheme which originated within UNCTAD should be completed within UNCTAD and that the final agreement on a scheme for

supplementary financing should be ratified at a ministerial meeting of the Trade and Development Board. It is only at this point that the responsibility for implementing the scheme should be handed over to the Agency administering it. Any other course of action would constitute the gravest injustice to the institutional machinery that the international community has devised for itself in UNCTAD.

While I have the floor, I should also like to express the view of the Asian Group of developing countries on the recommendation on dealing with increasing the flow of private capital to developing countries [TD/L.28, section IV]. It is the understanding of the Asian Group that each of the fourteen points enumerated in operative paragraph 1 of that recommendation should receive the fullest possible coverage and investigation in the study requested of the Secretary-General of the United Nations. In other words the study on the flow of private capital should be as detailed and as comprehensive as possible.

¹ See IMF, *Summary Proceedings, Annual Meeting, 1967*.

**Statement made at the 79th plenary meeting, 28 March 1968,
by Mr. J. Everts (Netherlands), Chairman of the Third Committee**

I should like first to address the Conference as Chairman of the Third Committee in order to make one or two small additional remarks to what the President has already said. He has indicated that some of the draft resolutions contained in the report of the Third Committee to this Conference [TD/82/Add.1] should be referred to the Trade and Development Board. The reason for this procedure as proposed within the Committee has been that the time left made it impossible for the Committee to study these draft resolutions sufficiently. A similar remark should be made with regard to the resolution of the Third Committee [TD/II/C.3/L.26], which is referred to on page 25 of document TD/82/Add.1. This is a draft resolution submitted by Brazil, Ceylon, Greece, the Netherlands, Philippines, Sweden, Tunisia, Turkey and Uganda. This draft resolution is based upon certain proposals made in the Third Committee by the Turkish delegation. A similar remark applies to a draft resolution which the Committee could not take into account sufficiently and therefore is not reflected in the papers that the Secretary-General of UNCTAD has just introduced. This applies to the draft resolution mentioned on page 18 of annex I to document TD/82/Add.1, regarding the so-called capital development fund. I repeat that the two draft resolutions with regard to the least developed countries [TD/II/C.3/L.27 and Corr. 1 and Add. 1, and TD/II/C.3/L.28 and Corr. 1 and Add. 1], as the President has already said, will also be transmitted to the Board if the Conference so agrees.

Lastly, I should refer to the draft resolution that appears on page 1 of document TD/82/Add.1. This is a draft resolution submitted by the delegations of Bulgaria, Hungary and the USSR, and I have learned from the sponsors of this draft resolution that they consider that the papers that are now before the Conference from the Chairman of the Contact Group will not sufficiently replace this draft resolution; they therefore also wish their draft resolution to be passed on to the President of the Trade and Development Board for any further consideration.

Finally, as the President has said, the discussions on IBRD group matters have not been fully covered by the Contact Group debates through lack of time, and the paper on this issue is before you therefore in the form of an amendment to the draft report and a note by the Chairman of the Third Committee [TD/L.22], which was brought to your attention at an earlier stage. I should be glad if you would nevertheless be willing to consider this document. It may be that there will not be one hundred per cent understanding and concurrence with this paper in all details. If that should be the case then, in order to save time, the Conference might decide to pass the draft resolution also on to the President of the Board. Let me explain, however, that on the basis of some of the contacts which I, as a Chairman of the Third Committee, have been able to have with certain delegations, I hope that the draft resolution or declaration [TD/L.22] will also be accepted by the Conference.

**Declaration made at the 79th plenary meeting, 28 March 1968, by Mr. A. F. Azeredo da Silveira (Brazil)
on behalf of the Group of 77 concerning development financing**

I am addressing you, Mr. President, and through you, this assembly, in the name of the eighty-eight countries comprising the Group of 77.

On behalf of the Group of 77, I wish to make the following comments on the decisions which the Conference has just taken relating to item 12 of our agenda, on growth, development finance and aid.

The developing countries have always realized that financial assistance is now, and will probably remain for quite some time the very backbone of an international policy for economic development. The strenuous efforts of those countries to expand trade cannot be carried forward successfully if adequate financial assistance is not available to cover the inevitable gaps that arise when a developing country attempts to industrialize and diversify production. Developing countries have come to New Delhi with the firm determination to evolve new and dynamic policies that would enable them to carry on their development efforts; therefore, they were particularly hopeful that, in the crucial field of development finance and aid, positive concrete measures would be taken by the international community.

The results of these hopes and of the efforts that have been made here in New Delhi stand before us, approved by the Conference. These results are most disappointing to the developing countries, and fall far short of their expectations.

It is true that a few hesitant forward steps have been taken; but they were minor steps and were taken in peripheral areas. We therefore stand almost where we stood four years ago on all the major issues of financing. And some among us may further consider that we actually stand far behind 1964.

Allow me to examine some of the major issues which have been brought before the Conference. These issues could be divided into three broad areas of action in which developing countries had hoped to obtain some concrete measures: the issues relating to the terms and conditions in which aid is to be given to developing countries; the issues relating to the volume and the flow of such aid; and the issues relating to complementary action to basic financing, such as supplementary financing measures, the flow of private capital, compensatory financing facilities, and so on. I do not mean to speak on all these issues, but to concentrate on those which are most important to developing countries. Other member delegations of the Group of 77 will comment more specifically on the issues which I have mentioned, as well as on others which I have not.

In the field of terms and conditions of aid, it has been agreed in document TD/L.28 and Corr.2/Rev.1, that "further efforts are required to soften the terms of aid", and that, to this effect, developed countries will "renew their efforts to achieve by the end of 1968 the terms and conditions ... laid down by the Development Assistance Committee of the Organisation for Economic Co-operation and Development resolution of July 1965, and by the General Assembly... in its resolution 2170 (XXI) of

6 December 1966". Here we have a hesitant step forward, but so slight and timid that it is hard to see how far forward we really have gone. Developed countries are going to "renew their efforts". Nothing here in this text assures us that these renewed efforts will not fail. Allow me to remind this assembly that renewed efforts are not what is required to solve the profound and urgent problems which developing countries are facing because of their debt-servicing obligations.

When we come to longer-term commitments on terms and conditions of aid, such as the concrete proposals put forward in paragraph 2 of section I of document TD/L.28 and Corr.2/Rev.1, we find that developed countries "generally take note of these suggestions and will consider them in the evolution of their assistance policies". The same occurs in the longer-term proposal to attain the lending terms of the International Development Association by 1975, which figures in paragraph 3 of section I of the said document. Similarly, vague promises and declarations of goodwill have been made in the cases of indebtedness and tied aid.

So developing countries continue to be faced with pressing, dramatic and overwhelming debt problems, and they will take home with them, from New Delhi, not agreement on measures, or commitments for specific action in the future, but the placid promises of "renewal of efforts" and "careful consideration."

Allow me to comment now on the second broad area of action which is of particular importance to developing countries: the volume of aid. In this area, the step forward was even more timid. Agreement was reached that the aid volume target should comprise 1 per cent of the gross national product of donor countries at market prices. This has not carried us far beyond 1964, when developing countries first stated their understanding on the definition of this target. But now it is a general agreement between developing and developed countries. We would acclaim it as a significant progress if it were translatable into action, but that is where the doubts of many of us lie.

This agreement, in the view of developing countries, must be evaluated in the light of paragraphs 5 and 6 of section V of document TD/L.38 and Corr.2/Rev.1. These two paragraphs, inserted by several developed countries, in practice may even transform the target into a theoretical goal, by avoiding the establishment of a target date. So, once again, developing countries find themselves confronted with declarations of goodwill, rather than concrete measures or commitments of action. In this respect, the Group of 77 is very glad to have heard from the delegations of the Netherlands and of Sweden that they are ready to meet the 1 per cent target by 1972.

It is not so much the amount that the developed countries can contribute that is important. More important, we believe, is the great step forward, in the process of co-operation for development, represented by this commitment. We are sure that the example set by France, the Netherlands and Sweden can, and will, soon be followed by all developed countries.

In this connexion, I wish formally to say that the developing countries desire to state that it is their understanding that the declaration which has been advanced by the developed countries on this subject in no way annuls the earlier decision of the United Nations General Assembly fixing a specific target date for the fulfilment of the commitment by developed countries to provide 1 per cent of their national incomes for development assistance.

Finally, in the area of complementary action, I will limit myself to the question of supplementary financing, which is also of great importance to developing countries. Here, we have clearly taken a step backwards, and it can be easily measured. It takes us all the way back to the first session of the Conference and then even further back. Developed countries have agreed to continue to study this question, which, they concede, involves problems of vital importance to the accelerated growth of developing countries. But all the work of the International Bank for Reconstruction and Development and the Inter-governmental Group on Supplementary Financing almost seems to be thrown out of the window. We must practically start all over again. We must cast about for alternative methods for solving these vital problems, and, while we cast about for them, the problems continue to grow, and to eat away at the foreign export receipts of developing countries and

at their over-all development effort. Once again, we have before us vague promises and declarations of good will. Therefore the achievement of the Conference in this field has been to keep the issue itself alive.

I must also refer briefly to the two draft resolutions on special measures for the least developed among developing countries, which have the support of all developing countries. We trust that they will deserve effective and careful consideration in the Trade and Development Board.

I have attempted to sketch the dismal picture which now confronts developing countries in the field of growth, development finance and aid. We cannot conceal our profound disappointment with the paucity of results, with the scarcity of commitments, and with the generality of agreements which we have been obliged to accept. We are therefore obliged to register our disappointment in this Declaration which I have had the privilege to read in the name of the Group of 77. We are obliged to recognize the lack of success to reach even the minimal objectives that had been set by the Conference in this field and to note that these meagre results have not, I repeat, have not resulted from the lack of time, or the unwillingness on our part — the developing countries — to exhaust every possible effort at conciliation and negotiation.

Statement made at the 79th plenary meeting, 28 March 1968, by Mr. S. Golt (United Kingdom)

My delegation wishes to intervene again briefly in the debate mainly in order to thank the distinguished representative of India for the words of understanding with which he has greeted what is expressed in the note submitted by the Chairman of the Contact Group [TD/28 and Corr.2/Rev.1]. He has recognized what those of us who were concerned in working out this document were trying to do.

No doubt the outcome of our discussions in the field of development finance which is recorded in this document is modest in relation to the high hopes expressed in the Charter of Algiers [TD/38]. But I hope that my friends in the delegations of the Group of 77 will consider, on further reflection, that it does represent some real progress, both in the understanding of our problems and in action on them — progress achieved in difficult circumstances.

As regards our progress in understanding, Ambassador Lall has rightly emphasized that this is a substantial document, an advance on the Agreed Statement on the Problems of Development of April 1967¹ which will serve as a basis for dialogue and action in the time to come.

As regards action, I recognize that what we have achieved is a matter of value judgment. But I would make three points:

First, we have made a practical move forward on supplementary financial measures. I do not see how we can say we are not further forward than in 1964, when we have agreed that measures should be worked out

within little over a year for submission to the Trade and Development Board. The principles set out in the original recommendation, A.IV.18,² have been reaffirmed and, though the Inter-governmental Group on Supplementary Financing is directed to consider other possible ways of meeting the need than the scheme put forward by the staff of the International Bank for Reconstruction and Development,³ that scheme is certainly not excluded.

As regards the terms of aid and related questions, document TD/L.28 and Corr.2/Rev.1 is no doubt much less specific than members of the Group of 77 would have desired. It does nevertheless state the readiness on the part of the developed countries to move forward towards further harmonization and softening of the terms of their aid.

Finally, the move towards acceptance of the gross national product denominator — and I emphasize that on the part of the developed countries this is a genuine move forward — implies a readiness substantially to increase the flow of which they provide for development. This is a decision, the importance of which ought not to be under-estimated and which alone in the view of my delegation and, I think, of other members of Group B, would justify us in saying that we have achieved some real success in the field of problems covered by the document under discussion.

² See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 52 and 53.

³ *Supplementary Financial Measures — a Study requested by the United Nations Conference on Trade and Development, 1964* (International Bank for Reconstruction and Development, December 1965).

¹ Adopted by the Committee on Invisibles and Financing related to Trade at its second session (see *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 3*, annex II).

Messages from Heads of State and Government

MESSAGE FROM SIR SERETSE KHAMA, PRESIDENT OF THE REPUBLIC OF BOTSWANA

It is regretted that the Republic of Botswana will not now be able to send a representative to the second session of the United Nations Conference on Trade and Development, to be held in New Delhi in February 1968. His Excellency the President and the Government of Botswana, however, wish to convey to the Government of India and to UNCTAD their good wishes for a very successful Conference.

MESSAGE FROM MR. L. B. PEARSON, PRIME MINISTER OF CANADA

The problems facing the second session of the United Nations Conference on Trade and Development rank with the most challenging and important of our time. Your agenda raises issues which are both difficult and complex. However, the purpose of the Conference is as simple as it is urgent: to intensify international co-operation to promote the economic growth, first and foremost, of developing members. In searching for new dimensions for co-operation, you will need no reminder that success is vital in the interests of the world community at large.

The work of UNCTAD had demonstrated with force and clarity that development is a joint endeavour. All nations must play their full part. It is fitting, and for Canadians very welcome, that the second session of the Conference meets in India, a fellow member of the Commonwealth with which Canada has long been associated in the great enterprise of development. On behalf of the Government and people of Canada, I pledge our support to the work of this Conference and extend through its President, my personal wishes for its success.

MESSAGE DATED 29 JANUARY 1968 FROM HIS HOLINESS POPE PAUL VI *

We have much pleasure in addressing this message to you and to all present at the second session of the United Nations Conference on Trade and Development in New Delhi. The session carries with it the hopes of many peoples in the world. They trust that it will result in some steps towards the improvement of their position in international trade so as to assure them a life more in keeping with their human dignity. We do not hesitate to make this cause Our own.

Although serious economic difficulties exist even in developed countries, the fact that millions of human

beings lack the basic necessities of a decent life must not be forgotten. This is fundamentally a moral problem and it transcends the bare economic aspect of the crisis. The solutions must come from a moral drive to eliminate the inequalities between developing and developed nations. There is no magic formula for solving the extremely technical and complicated problems involved in restructuring world trade on equitable lines, but unwearying goodwill and determination to succeed should permeate the technical discussions.

In fact, We are convinced that problems so complex and so important can find proper solutions only if a strong influence of higher thinking and moral energy pervades these discussions and studies, and raises them from the merely economic level to one truly human, which implies generous, progressive brotherhood and balanced, inventive wisdom, with a view of interest, which goes beyond the particular difficulties of the moment and look to the future of the peaceful civilization of humanity. This is our thought, as followers of Christ, and we believe that Our thinking in these matters coincides both with that of magnanimous men who have the capability to promote justice in the world, and with that of the patient and hopeful developing peoples. We feel that this thinking, put into effect, can well result in progress beyond the hopes of all men.

Our appeal is a reaffirmation of the plea for human solidarity and partnership in economic co-operation, which We made in Our Encyclical *Populorum Progressio*. May it serve as a call to all to labour for the elimination of the dire conditions in which so many of our fellow-men live today.

Invoking upon the participants of the UNCTAD meeting in New Delhi abundant heavenly blessings, We pray that Almighty God many favour their deliberations with success for the betterment of mankind.

MESSAGE DATED 30 JANUARY 1968 FROM GENERAL SOEHARTO, ACTING PRESIDENT OF THE REPUBLIC OF INDONESIA

It gives me great pleasure indeed to address myself on behalf of my people to this august gathering, where distinguished representatives from economically developing as well as developed countries are joining hands in the search for solutions to problems confronting the world at present.

The holding of this Conference is indeed very timely in view of the fact that the impatience of the under-privileged masses of the world has almost reached its limits due to the ever-pressing political, social and economic instabilities.

* The message from His Holiness was addressed personally to Mr. Raúl Prebisch, Secretary-General of UNCTAD.

The very fact that the General Assembly of the United Nations decided to convene the second session of the United Nations Conference on Trade and Development here in New Delhi, the capital of India whose cultural heritage has produced the necessary wisdom, will undoubtedly contribute to enhancing the significance of this Conference.

We have a great task to fulfil, namely to bridge the ever-widening gap that exists between the misery and ignorance of the developing world on the one hand and the abundance and leisure of the developed nations on the other.

The increasing number of Governments participating in this Conference is a clear manifestation of the rapid progress made towards political emancipation of the developing world within a relatively short period since the end of the Second World War. However, this gratifying progress in the history of mankind in the elimination of colonialism and imperialism has unfortunately not been adequately matched by an equal rate of progress towards the economic emancipation of the newly independent nations.

This situation has been brought about by the fact that post-war international economic relations have not been adapted to the social and economic conditions of the developing nations which are endeavouring to reconstruct their economies for the benefit of their peoples.

Moreover, the tremendous advancement in science and technology as a manifestation of mankind's urge to progress has aggravated the existing differences in the economic and social levels between these two groups of countries.

As a consequence of these divergent economic developments, the world today finds itself in a situation of economic and political instability giving rise to frequent conflicts endangering the very existence of mankind.

The fundamental changes, unavoidable as they are in the march of history and having far-reaching implications in present international relations, should be coped with in a spirit of mutual co-operation so as to turn them into a blessing rather than allow them to deteriorate into a curse.

In my humble view it is incumbent upon all nations of the world to foster this international co-operative spirit and to translate it into concrete action directed to achieve political and economic stability.

To this end, constructive political goodwill on the part of all Governments is essential to evaluate the present world economic structure in order to adopt a more dynamic pattern of international trade and development. On this basis, the fruits of advanced science and technology could be meaningfully applied to meet the present and future development needs of the developing countries as stipulated in the Programme of Action of the Charter of Algiers [TD/38].

It is the fervent hope of the peoples of the developing world that this Conference will mark the realization of the political goodwill of all nations whose representatives are here present.

You are all here to take part in the deliberations with a spirit of determination to free the world from the evils of hunger, disease and ignorance. I am sure that world

attention is focused on the outcome of the present deliberations directed towards fulfilling the aspiration of all mankind to secure decent human standards of living in conformity with the Charter of the United Nations.

I wish to take this opportunity to convey the best wishes of my country and people for a successful second session of the United Nations Conference on Trade and Development.

MESSAGE FROM HIS IMPERIAL MAJESTY
THE SHAHANSHAH ARYA-MEHR OF IRAN

On this historic occasion, the opening of the second session of the United Nations Conference on Trade and Development, I take great pleasure in conveying to this distinguished assembly the greetings of my countrymen and myself and our best wishes for the successful conclusion of its deliberations.

The second session of the Conference at New Delhi will be the focal point of billions of peoples from all over the world for the coming two months. About four years after the holding of the first session, the second session will be watched with great expectations.

At this time, towards the end of the second decade following the Second World War, nothing is obscure about the main causes of poverty, and our knowledge about its elimination is far greater than even a decade ago. The crucial question is: are we equipped morally and politically to adopt measures and modalities which would make feasible the application of the new techniques which have been developed for increasing production and more equitable distribution?

Are we prepared to remove the obstacles to international trade and aid as a means of accelerating economic and social development everywhere? At no time in history has the call for the collective courage of man been more urgent and more consequential than it is today.

I am confident that the distinguished participants fully appreciate the historic perspective within which this Conference has been convened and what their crucial roles are at this gathering.

May we hope that with determination and unflinching will we shall rise to the occasion and meet the greatest challenge of history before us — the universal and collective responsibility of the rich and the poor for building a prosperous, happy and peaceful world.

MESSAGE FROM MR. NICOLAS CEAUSESCU, PRESIDENT OF
THE STATE COUNCIL OF THE SOCIALIST REPUBLIC OF
ROMANIA

The second session of the United Nations Conference on Trade and Development gives me the pleasure of conveying to its President and all the participants a cordial greeting on behalf of the State Council of the Socialist Republic of Romania and on my own behalf.

Romania looks upon the United Nations Conference on Trade and Development as an event of special importance for the promotion of international economic co-operation. We welcome its serious concern in the field of trade and development and we express our hope that

the Conference will find ways and means of effectively supporting the efforts being made by the developing countries.

In this respect Romania, engaged itself in a complex process of economic development, shares the concern of the developing countries on the speeding up of their economic development, elimination of artificial barriers and discriminatory practices which still persist in world trade, as well as of the gap existing between these countries and the developed countries.

Today it is becoming increasingly obvious that there can be no sound solutions to the great economic problems which beset the world community otherwise than in the perspective of a lasting peace. World peace and the economic progress of peoples are indivisible.

We express the hope that the work of the session will take place in a spirit of understanding and co-operation and that the problems of trade and development will be discussed realistically and constructively in order to find practical solutions, acceptable to all countries, based on respect for the principles of independence and national sovereignty, equality of rights, non-interference in internal affairs and mutual advantages. Observation of these principles is most necessary in view of the fact that the present international scene comprises countries on very different levels of development and with different social and political systems.

Romania is ready to co-operate in seeking such solutions which would arise from positive practices in international relations and economic demands. I express the hope that the work of the Conference and its results will warrant the legitimate expectations associated by every country and people, and especially by the countries and peoples engaged in the great efforts of economic development with this manifestation of collective international responsibility in the field of trade and development.

In this spirit I wish full success to the efforts of the Conference in finding out solutions capable of changing the economic relations into an active and effective instrument for the development of all nations, international co-operation and understanding, and peace.

MESSAGE DATED 1 FEBRUARY 1968 FROM MR. A. KOSYGIN,
CHAIRMAN OF THE COUNCIL OF MINISTERS OF THE
UNION OF SOVIET SOCIALIST REPUBLICS

Speaking for the Government of the Union of Soviet Socialist Republics and for myself, I greet the participants in the second session of the United Nations Conference on Trade and Development here assembled in the capital of our friends in India.

The representatives attending this Conference are faced with vital economic problems. The present session is called upon to put forward new efforts to extend equitable and mutually advantageous collaboration between States irrespective of their social and economic structure, to contribute towards liquidating the shameful system of discrimination in international trade, overcoming the burdensome legacy of the colonial past and putting an end to the policy of neo-colonialism conducted by international monopoly capitalism.

On the extent to which these burning questions of international economic relations are successfully solved will largely depend the future prospects for social and economic progress and the prosperity of hundreds of millions of human beings.

All this places a heavy responsibility on the participants in the session, especially as its work is proceeding within the context of a difficult international situation.

Aggression is continuing in South-East Asia. Part of the territory of independent Arab countries is being illegally occupied. Militaristic revanchist trends are becoming more marked in Central Europe. As a result of imperialist policies, vast human and material resources so essential for economic development are being senselessly squandered and destroyed. The peace-loving countries and peoples should counter this ruinous policy by a firm determination to uphold the cause of peace.

For its part, the Soviet Union is giving and will go on giving the young countries which have gained their freedom extensive and friendly help in building their economies and in defending their freedom and independence from imperialist encroachments.

The Soviet Union stands immutably for the normalization and further development of international economic co-operation and consistently promotes the application of the principles of international trade relations and trade policy formulated in Geneva in 1964.

The Soviet Government attaches great importance to the positive solution of the question of the universality of the United Nations Conference on Trade and Development. We consider that any State which shares the aims and principles of that organization should be admitted as a full member.

The pledge of the success of the Conference is fruitful co-operation between all countries interested in the establishment of economic links in accord with justice and equal rights.

The Government of the Soviet Union wishes the participants in the second session of the United Nations Conference on Trade and Development success in their task of solving the problems facing them.

MESSAGE DATED 2 FEBRUARY 1968 FROM MR. HAROLD
WILSON, PRIME MINISTER OF THE UNITED KINGDOM

On behalf of the Government of the United Kingdom I send you our warm wishes for the success of this important Conference. Its work will be followed with the keenest interest in this country, and we look forward both to playing a constructive part, through our representatives, in the Conference's deliberations, and to contributing, so far as we are able, to the promotion of the great objective of the economic advancement of all peoples.

MESSAGE FROM MR. JOSIP BROZ TITO, PRESIDENT OF THE
SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA

I address to the participants in the second session of the United Nations Conference on Trade and Development my best wishes for the fruitful work of the Conference,

convinced that this gathering will adopt a programme and take concrete measures for the solving of problems which are of vital importance to the international community as a whole and to the developing countries in particular. I hope that all the participants in the Conference will realize its historical significance, expressing thereby the aspirations of all the peoples toward peace, economic and social progress and prosperity. It is expected that the

Conference will review critically the present trends in the world economy which are gravely affecting the developing countries in particular, and that it will elaborate a programme for the long-term economic development of the world and recommend measures of trade and financial policy aimed at promoting the development of the world economy as a whole. Once again I wish the Conference much success in its work.

Charter of Algiers

(Adopted at the Ministerial Meeting of the Group of 77 on 24 October 1967)

CONTENTS

	<i>Page</i>
Charter of Algiers	431

ANNEXES

I. Reports of the four Main Committees of the Ministerial Meeting of the Group of 77	442
II. Report of the Working Group of Fifteen of the Group of 77, on special measures to be taken in favour of the least developed among the developing countries	453

Charter of Algiers *

Part One

The representatives of developing countries, assembled in Algiers in October 1967 at the Ministerial Meeting of the Group of 77, united by common aspirations and the identity of their economic interests, and determined to pursue their joint efforts towards economic and social development, peace and prosperity,

Having reviewed the work of the international community for economic progress since the adoption of the Joint Declaration of the Seventy-Seven Developing Countries at the conclusion of the first session of the United Nations Conference on Trade and Development in 1964,¹

Have decided to chart a common course of action as conceived in the African Declaration of Algiers, the Bangkok Declaration of Asian countries and the Charter of Tegucigalpa of Latin American countries,

Deem it their duty to call the attention of the international community to the following facts:

I

The lot of more than a billion people of the developing world continues to deteriorate as a result of the trends in international economic relations;

The rate of economic growth of the developing world has slowed down and the disparity between it and the affluent world is widening;

While the developed countries are adding annually approximately 60 dollars to the *per capita* income of their people, the average increase of *per capita* income in the

developing world amounts to less than 2 dollars per annum;

The share of the developing countries in total world exports declined from 27 per cent in 1963 to only 19.3 per cent in 1966. In the first half of the 1960s, total world exports grew at an average annual rate of 7.8 per cent and exports of developing countries, excluding oil exports, grew at an average rate of 4 per cent only. While the value of exports of manufactures from industrial countries increased between 1953/1954 and 1965/1966 by 65 billion dollars and from socialist countries by 10 billion dollars, the increase from developing countries amounted to only 3 billion dollars;

The purchasing power of exports from developing countries has been steadily declining. In the mid-1960s the developing countries have been able to buy, for a given volume of their traditional exports, one-tenth less imports than at the beginning of this period. The loss in purchasing power amounted annually to approximately 2.5 billion dollars, which represents nearly half of the flow of external public financial resources to developing countries;

This has aggravated the problem of the increasing indebtedness of developing countries. The external public debt alone has increased from 10 billion dollars in 1955 to 40 billion in 1966. While the debt service payments averaged half a billion dollars annually in the mid-1950s, these have already increased to 4 billion dollars and may offset the entire transfer of resources before the end of this decade if present trends continue; they already equal the entire amount of grants and grant-like contributions;

Although modern technology offers developing countries great possibilities to accelerate their economic development, its benefits are largely by-passing them due to its capital and skill incentive nature, and is drawing away from them such limited skills as are developed;

The virtual stagnation in the production of food-stuffs in developing countries, in contrast with the rapid increase in population, has aggravated the chronic conditions of under-nourishment and malnutrition and, com-

* The text of the Charter and annexes (TD/38 and Add.1 and 2) was circulated to the Conference at the request of the delegation of Algeria. It was circulated in connexion with item 9 of the provisional agenda of the Conference, but as can be seen from the various headings, it is also related to other agenda items.

¹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 66-68.

bined with the distortion of production and trading patterns by artificial means, threatens to give rise to a grave crisis.

II

The concern over these economic and social trends and the joint efforts of the developing countries to correct them have progressively led the international community to embark on a series of initiatives culminating in the Final Act adopted in 1964 by the first session of the United Nations Conference on Trade and Development; however, the promise held out by the Final Act has not been realized. In fact, in spite of the provisions of the Final Act of the first session:

No new commodity agreement on primary products of interest to developing countries has been concluded;

The standstill has not been observed by the developed countries, and they have increased the degree of protection in many of those agricultural products in which developing countries are more efficient producers;

While the average prices for primary products exported from developing countries have decreased by 7 per cent since 1958, those for primary products exported from developed countries increased by 10 per cent in the same period;

Heavy fiscal charges continue to be levied on products of export interest to developing countries;

The proliferation and promotion of synthetic substitutes in developed countries has resulted in shrinking markets and falling prices for competing natural products produced by developing countries;

Insufficient progress has been made by developed countries in dismantling import tariffs on tropical products without prejudice to the interests of certain developing countries;

Little or no progress has been achieved in the relaxation of quota restrictions that are applied particularly to industrial products imported from developing countries; nor did the situation improve for some temperate zone products whose access to the developed countries is governed by restrictive measures and policies applied by the developed countries;

The implicit discrimination in tariff policies towards developing countries has been further intensified as a result of the process of economic integration among some developed countries and also as a consequence of the Kennedy Round of negotiations;

No progress has been made by developed socialist countries on the recommended transferability of credit balances held with them by developing countries;

The wide disparity between domestic selling prices of goods imported by socialist countries from developing countries and the import prices of such goods creates unfavourable conditions for increases in consumption and import of such goods from developing countries;

In spite of the unanimously agreed target of 1 per cent of national income of financial resources to be provided

to developing countries, actual disbursements have levelled off in absolute terms and declined as a proportion of gross national product of developed countries. While in 1961 the flow of development financing to developing countries amounted to 0.87 per cent of gross national product of developed countries, it came down to 0.62 per cent in 1966;

With a few notable exceptions, the terms and conditions of development finance are becoming more and more onerous; the proportion of grants is declining; interest rates are increasing; repayment periods are shortening and development loans are becoming increasingly tied;

Discriminatory practices and arrangements in the field of shipping and increasing freight rates have aggravated further the balance-of-payments position and hindered the effort to promote the exports of developing countries.

III

The international community has an obligation to rectify these unfavourable trends and to create conditions under which all nations can enjoy economic and social well-being, and have the means to develop their respective resources to enable their peoples to lead a life free from want and fear.

In a world of increasing interdependence, peace, progress and freedom are common and indivisible. Consequently the development of developing countries will benefit the developed countries as well.

Developing countries reiterate that the primary responsibility for their development rests on them.

Developing countries are determined to contribute to one another's development.

However, a fuller mobilization and more effective utilization of domestic resources of developing countries is possible only with concomitant and effective international action.

Traditional approaches, isolated measures and limited concessions are not enough. The gravity of the problem calls for the urgent adoption of a global strategy for development requiring convergent measures on the part of both developed and developing countries.

The establishment of UNCTAD and the dialogue which has taken place within it constitute a step towards a new and dynamic trade and development policy. What is needed now is to move from the stage of deliberation to the plane of practical action.

Developing countries expect that the second session of the Conference will concentrate on a common endeavour for accelerated economic and social development. The agreement which has recently emerged on the basic issues to be negotiated reflects the general feeling in this respect.

To this end the representatives of developing countries at the Ministerial Meeting of the Group of 77 have considered carefully the present state of affairs and suggest the following programme of action as the most urgent and immediate step to be taken by the second session of the Conference.

*Part Two***PROGRAMME OF ACTION****A. COMMODITY PROBLEMS AND POLICIES****1. Commodity policy***(a) Commodity arrangements*

- (i) Commodity problems should, where appropriate, be dealt with by international commodity arrangements negotiated on a commodity-by-commodity basis;
- (ii) Producing developing countries should consult and co-operate among themselves in order to defend and improve their terms of trade by effective co-ordination of their sales policies;
- (iii) A cocoa agreement should be concluded before the end of 1967 and an agreement on sugar early in 1968;
- (iv) Commodity arrangements for oil-seeds and vegetable oils, bananas, rubber, tea, sisal and hard fibres should be concluded at the earliest possible date;
- (v) Appropriate action should be taken on an urgent basis in respect of iron ore, nickel, tobacco, cotton, wine, citrus fruit, manganese ore, pepper, mica, shellac and tungsten.

(b) Buffer stocks

Buffer-stock techniques as a short-term measure for market stabilization should, where appropriate, be one of the methods adopted for international commodity arrangements, and international financing institutions and developed countries should participate in their pre-financing, while with regard to its regular income producing and consuming countries should devise a formula ensuring an equitable distribution of costs.

(c) Diversification programmes

Developed countries and the appropriate international financial institutions should make available additional financial and technical assistance to developing countries, including specific funds, in order to facilitate the carrying out of diversification programmes, highest priority being given to diversification in the programmes on inter-regional, regional and sub-regional levels in the process of trade expansion and economic integration among developing countries. These specific funds for diversification should be one of the features of commodity agreements.

(d) Pricing policy

The main objectives of pricing policy should be: (i) elimination of excessive price fluctuations; (ii) the highest possible earnings from the exports of primary products; (iii) maintenance and increase of the purchasing power of the products exported by developing countries in relation to their imports; and (iv) that developed countries undertake to assist in achieving more stable and higher prices for unprocessed and processed commodities from developing countries by applying adequate domestic taxation policies.

2. Trade liberalization*(a) Standstill*

No new tariff and non-tariff restrictions should be introduced by developed countries and those introduced

since the first session of the Conference should be eliminated by 31 December 1968.

(b) Removal of barriers

- (i) All restrictions and charges applied by developed countries to primary commodities, including semi-processed primary products originating exclusively in developing countries, should be removed;
- (ii) A programme of specific commitments should be elaborated with a view to eliminating tariff and non-tariff barriers, including duties and revenue charges, on all products;
- (iii) Pending the elimination of internal duties and revenue charges, a system of partial refund should be introduced to lead progressively on an annual basis to full refund;
- (iv) The tariff reductions offered during the Kennedy Round of negotiations on primary products of export interest to developing countries should be implemented without phasing and without reciprocity in favour of all developing countries.

(c) Preferences

The representatives of the developing countries at the Ministerial Meeting of the Group of 77, (i) bearing in mind the desire expressed by all members of the Group of 77 to apply recommendation A.II.1, part II, paragraphs 3 and 6, concerning the elimination of preferences,² adopted unanimously at the first session of the Conference and noting that the abolition of preferences requires that the developed countries grant equivalent advantages to the countries which at present enjoy such preferences; (ii) noting that the developed countries have not so far taken effective measures for the implementation of this recommendation; (iii) considering that, in the case of certain commodities, the special preferences in force could be reduced or even abolished through international agreements:

Decided to request the Secretary-General of UNCTAD and the regional groups to undertake studies, commodity-by-commodity and country-by-country, on the effect of the abolition of the special preferences in force and the steps necessary to ensure that countries which at present enjoy such preferences receive advantages at least equivalent to the losses resulting from abolition.

(d) Minimum share of markets

- (i) Where products of developing countries compete with the domestic production of developed countries, the latter should allocate a defined percentage of their consumption of such products to developing countries; in any case, a substantial share of any increase in domestic demand for primary commodities in the developed countries should be reserved for the output of the developing countries. This allocation should be arrived at on a country-by-country and commodity-by-commodity basis, through multilateral negotiation; developed countries should agree to establish maximum ratios of domestic production so as to guar-

² *Ibid.*, pp. 29 and 30.

antee to developing countries adequate conditions of access for their exports;

- (ii) The developed countries should adopt measures to discourage uneconomic production of commodities which compete with those originating in developing countries and should abolish subsidies on such competing products.

(e) *Surpluses and reserve stock disposal*

The existing machinery for consultation on surplus disposal should be widened and reinforced, and suitable machinery should be established, where such arrangements do not exist, in order to ensure that disposal of production surpluses or strategic reserves does not result in the depression of international prices, and does not adversely affect the exports of developing countries or the intra-regional trade and agricultural development of developing countries and the position of developing countries receiving those surpluses as assistance.

(f) *Use of escape clauses*

Objective criteria should be adopted under a multilateral institutional arrangement for identifying situations on which restrictions are applied by virtue of safeguard clauses and the unilateral application of restrictions should be avoided.

3. *Synthetics and substitutes*

- (i) Special measures in the field of finance, technical assistance and marketing, including financing of research, abolition of subsidies and granting of preferences should be taken to improve the competitive position of natural products of developing countries that are affected by the competition of synthetics and substitutes originating from developed countries;
- (ii) The provision of Special Principle Nine³ of the Final Act of the first session of the Conference on dumping should be implemented with special reference to the marketing of synthetic products.

B. EXPANSION OF EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES

1. *Principles for a general system of preferences*

The following principles should be adopted in order to implement a general system of preferences. They should be accepted simultaneously as complementary and indivisible measures.

(a) At the second session of the Conference there should be negotiations which should lead to the conclusion of an agreement on a general system of tariff preferences on a non-discriminatory and non-reciprocal basis. The agreement should provide for unrestricted and duty-free access to the markets of all the developed countries for all manufactures and semi-manufactures from all developed countries;

(b) Without prejudice to the general provisions contained in paragraph (a) above, the escape clause actions as envisaged below may be taken; in particular special

treatment may be granted by developed countries to the less developed among the developing countries;

(c) The manufactures and semi-manufactures covered by the preferential system should include all processed and semi-processed primary products of all developing countries;

(d) All developed countries should grant such preferences to all developing countries;

(e) The form of the escape clause action, the objective criteria which should govern the application of escape clause action by developed countries and the procedures that should be followed in such cases must be agreed upon internationally. Such action must however be temporary in nature and be subject to international consultation, approval and review;

(f) The preferential system must be conceived in such a way as to make it possible for the least advanced among developing countries to share in its benefits. Accordingly any time limits of the system should be flexible so that countries at present in very incipient stages of development will also be able to reap its advantages. Escape clause actions limiting or excluding particular exports should not apply to the less competitive products from less advanced countries. Specific commitments should be taken for technical and financial assistance in the establishment of export-oriented industries in least advanced countries, with a view to markets both in the developed world and in other developing countries;

(g) The new system of general preferences should ensure at least equivalent advantages to developing countries enjoying preferences in certain developed countries to enable them to suspend their existing preferences on manufactures and semi-manufactures. From the beginning, provisions should be incorporated in the system of general preferences, for the developed countries to redress any adverse situation which may arise for these developing countries as a consequence of the institution of the general system of preferences;

(h) In order to achieve the objective of the general preferential system, the arrangement should last long enough to enable all developing countries to benefit from it. Initially the arrangement should last for twenty years and should be reviewed towards the end of this initial period. In any event, the preferential treatment should not thereafter be abruptly terminated;

(i) In order that the general system of preferences may make adequate contribution to the balance of payments of the developing countries, the developed countries should not reduce their aid to them or nullify or impair the benefits of preferences through other measures.

(j) Suitable machinery within UNCTAD should be established to supervise and ensure the effective implementation of a general system of preferences in accordance with the foregoing paragraphs.

2. *Liberalization of trade in manufactures and semi-manufactures*

(a) The developed countries should implement immediately, without phasing, in favour of all developing countries, concessions agreed on during the Kennedy Round

³ *Ibid.*, p. 23.

of trade negotiations, on products of export interest to the latter countries;

(b) The developed countries should state at the second session of the Conference that all concessions agreed on during the Kennedy Round of trade negotiations on products of export interest to developing countries would be extended at the time of implementation to all developing countries whether or not members of the General Agreement on Tariffs and Trade (GATT), without reciprocity;

(c) At the second session of the Conference both developed and developing countries should, on the basis of the evaluation of the Kennedy Round being prepared by the UNCTAD and GATT secretariats and those prepared by Governments themselves, identify all outstanding issues for further negotiations. The principles of the most-favoured-nation treatment and reciprocity should in no way be introduced in these negotiations. In these negotiations all developing countries should be allowed to participate if they so desire;

(d) The developed countries should implement the agreements reached at the first session of the Conference on liberalization for manufactures and semi-manufactures of export interest to the developing countries, particularly as regards the principle of the standstill;⁴

(e) The developed countries should establish, at the second session of the Conference, a concrete programme for the removal of quantitative restrictions at an early date, particularly those which are applied by them inconsistently with their international obligations, and also give an undertaking not to renew existing restrictions or to impose new quantitative restrictions, or to adopt any other measures having equivalent effects on products of export interest to developing countries.

(f) Developed countries should supply all relevant information to the UNCTAD secretariat in respect of non-tariff barriers other than quantitative restrictions applied in the markets of the developed countries for examination at the second session of the Conference;

(g) Objective criteria should be established for the application of restrictions to trade in products from developing countries under escape clauses relating to "market disruption" and other "special circumstances" applied by developed countries, so that such situations may be defined, provisions may be laid down specifying what measures restrictive of trade can legitimately be applied when such a situation is found to exist, and compensation may be fixed which corresponds to the loss or damage suffered by the developing countries;

Multilateral consultative and supervisory machinery should be set up for that purpose. The developed countries should undertake measures for anticipatory structural readjustments and other measures for bringing about such changes in their production patterns as to eliminate the possibility of resorting to restrictive trade policies or escape-clause actions on the ground of market disruption in relation to products of export interest to developing countries in order to establish a new interna-

tional division of labour that would be more equitable. The developed countries should not promote the development in their territories of industries of particular interest to the developing countries. In those cases where developed countries have invoked escape clauses on grounds of market disruption, they should make the appropriate domestic structural adjustments;

(h) The developed countries should take appropriate action to carry out readjustments in the tariff nomenclatures of their countries so as to facilitate the granting of duty-free entry on products exported by and large by developing countries;

(i) The machinery which would be established to supervise the effective implementation of a general system of preferences should also supervise the programme for the elimination of tariff and non-tariff barriers, and the application of escape clauses, in particular any such barriers which prejudice or nullify the scheme of general preferences.

3. Trade with socialist countries

The socialist countries should grant concessions to the developing countries whose advantages are at least equivalent to the effects of preferences which would be granted by the developed countries with market economies.

The socialist countries should:

(a) Adopt and implement measures designed to increase the rate of growth of the imports of manufactures and semi-manufactures from developing countries, and to diversify such imports in consonance with the latter's trade and development requirements;

(b) Undertake to contribute to the maintenance of remunerative and stable prices for the exports of developing countries by the inclusion of suitable provisions in their trade agreements with these countries;

(c) In drawing up their national and regional development plans, take due account of the production and export potential in developing countries;

(d) Abolish customs duties and other trade restrictions on goods imported from and originating in developing countries;

(e) Eliminate the margin between the import price and the domestic selling price of the goods imported from developing countries;

(f) Refrain from re-exporting the goods purchased from developing countries, unless it is with the consent of the developing countries concerned;

(g) Encourage the conclusion of industrial branch agreements for the supply of plant and equipment on credit to the developing countries, accepting repayment of such credits in particular with the goods manufactured by such plant in the developing countries concerned;

(h) Multilateralize, to the extent possible, among the socialist countries of Eastern Europe, payments arrangements with developing countries to facilitate increase of imports from the latter;

(i) Grant preferential access conditions for products originating from developing countries. These conditions should include the establishment, in their international purchasing policies, of margins of tolerance in favour of

⁴ *Ibid.*, p. 29.

the developing countries with regard to prices and delivery terms;

(j) Within the framework of UNCTAD set up permanent consultative machinery through which socialist countries and developing countries may promote mutual trade and economic co-operation, and solve problems and obstacles which may arise.

4. Trade promotion

(a) Diversification of production of manufactures and semi-manufactures of developing countries should be carried out within the framework of a new and more equitable international division of labour between developing and developed countries;

(b) Developed countries should abstain from harming the interests of developing countries by fostering production of commodities produced principally by developing countries, and, in that regard, they should encourage the establishment in the developing countries of export industries processing primary commodities produced by the latter;

(c) Developed countries and international agencies should channel more, and more effective, technical and financial assistance in order to improve the productivity of the developing countries' industries and their competitiveness in international markets;

(d) International co-operation should also be secured with a view to the dissemination of trade information, particularly with regard to the opportunities offered by the developed countries' markets. To that end, the developing countries should support the establishment of the joint UNCTAD/GATT trade promotion centre and obtain the financial and technical support of the developed countries for its operation. Also a close and continuing co-operation between the United Nations Industrial Development Organization (UNIDO) and UNCTAD should be promoted, on the general understanding that, as stated in General Assembly resolution 2152 (XXI), "the former shall be competent to deal with the general and technical problems of industrialization, including the establishment and expansion of industries in developing countries, and the latter with the foreign trade aspects of industrialization, including the expansion and diversification of exports of manufactures and semi-manufactures by developing countries". Furthermore, developing countries should take into consideration the possibility of the establishment of a single export promotion centre within the United Nations family under the auspices of UNCTAD.

C. DEVELOPMENT FINANCING

1. Flow of international public and private capital

(a) Each developed country should comply with the target of a minimum 1 per cent of its gross national product for net financial flows, in terms of actual disbursements, by the end of the United Nations Development Decade. A separate minimum target, within this goal, and progressively increasing, should be established for the official component of aid flows, net of amortization and interest payments;

(b) Any gaps remaining in the 1 per cent transfer each year should be made good by additional government transfers;

(c) Resources of the International Development Association (IDA) should be immediately replenished and augmented;

(d) Developed countries and financial institutions should extend and intensify their support to regional development banks;

(e) The International Bank for Reconstruction and Development (IBRD) should be made a development bank for developing countries exclusively. Total repayment of current loans by developed countries in advance of maturity should be secured. Such released funds should be used to augment resources of IBRD and IDA to finance development of developing countries;

(f) There should be no discrimination by international lending institutions against the public sector, in particular in industry;

(g) Special consideration should be given to developing countries which have not so far received adequate international aid;

(h) Private investments should be of permanent benefit to the host developing country. Subject to nationally-defined priorities and within the framework of national development plans, private investments may be encouraged by incentives and guarantees;

(i) No developed countries should decrease the existing level of their aid to developing countries, especially those forms of aid granted through negotiations.

2. Terms and conditions of development finance

(a) By 1968, the norms of lending laid down by General Assembly resolution 2170 (XXI) and the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) should be reached;

(b) Beyond a date to be internationally agreed, all development lending should be on terms currently applied by IDA. In regard to earlier loans or loans on other than IDA terms, the interest should be subsidized by governments of developed countries;

(c) Pending the general adoption of IDA terms, there should be a considerable lowering of interest rates and a considerable increase in maturities and grace periods;

(d) A multilateral interest equalization fund should be created to cover the interest margin between loans obtained on international capital markets and concessional development loans;

(e) Development finance should be rapidly and progressively untied, with a view to reaching the goal of total untying by a specific date; excess costs incurred through tying should be subsidized by creditor countries; procurement in developing countries should be freely permissible, especially within the same region;

(f) External finance should be made available both for programmes and for projects and should include local costs where necessary;

(g) Development finance commitments should be on a continuing basis to cover plan programmes over a period of years;

(h) Appropriate steps should be taken to improve the administration of development finance;

(i) An inter-governmental group with equitable representation of developed and developing countries should be established to deal with all aspects of commercial credits, including suppliers' credits.

3. Problems of external indebtedness

Suitable measures should be adopted for alleviating the debt-servicing burdens of developing countries by consolidation of their external debts into long-term obligations at low rates of interest. In case of imminent difficulties, speedy arrangements should be made for refinancing and rescheduling of loans on "soft" terms and conditions.

4. Mobilization of financial resources

Developing countries recognize that they should, to the fullest extent possible consistent with smooth economic growth and social stability, continue to mobilize their domestic resources for financing their development process. They recall, however, that the utilization of these resources cannot be fully effective without the necessary external assistance.

5. Supplementary financing

The second session of the Conference should negotiate an agreement for early implementation of a scheme of supplementary financing on the basis of a consensus to be reached after considering the report of the Inter-governmental Group on Supplementary Financing⁵ on the IBRD study.

In no case should the scheme involve internal policy commitments which prejudice the sovereignty of any member country as defined by that country, the means for achieving this objective to be further discussed at the forthcoming meeting of the Inter-governmental Group on Supplementary Financing and negotiated at the second session of the Conference. These discussions and negotiations should take account, *inter alia*, of the positions expressed in the regional declarations of the developing countries.

6. Compensatory Financing Facility

The developing countries ask that:

(a) Drawings on the International Monetary Fund under the Compensatory Financing Facility should be immediately available up to 50 per cent of the countries' quotas in the Fund, and that such drawings should not be subject to any conditions;

(b) The formula for calculating shortfalls should be modified, taking as the basis the exports of each of the countries concerned either during three normal years or more, preceding the payment of compensation;

(c) Due consideration should be given to refinancing debts incurred by developing countries during periods of persistent shortfalls in their export earnings, including a revision of current repurchase time limits.

⁵ See *Supplementary Financial Measures — final report of the Inter-governmental Group on Supplementary Financing* (United Nations publication, Sales No.: E.68.II.D.3), pp. 4-12.

7. International monetary issues

(a) Developing countries should participate from the outset in all discussions on international monetary reform and in the operation of the new arrangements for Special Drawing Rights in the International Monetary Fund;

(b) A link between development finance and additional liquidity should be forged as urged by the developing countries;

(c) The developing countries are intimately concerned with the policies of international financial organizations relating to the use of their resources, voting power and the improvement of machinery for balance-of-payments adjustments.

D. INVISIBLES, INCLUDING SHIPPING

Developing countries reaffirm the competence of UNCTAD in shipping matters.

1. International shipping legislation

(a) Developing countries ask that the second session of the Conference should include "international shipping legislation" in the work programme of the Committee on Shipping which should use such technical and expert advice as may be necessary;

(b) In accordance with the obligations undertaken by the international community, all developed countries should give full co-operation to the UNCTAD secretariat by providing complete information for studies being carried out by it in the field of shipping including freight rates, conference practices, adequacy of shipping services, etc.;

(c) These studies should take into account the implications of technical advances in shipping in respect of the organization and structure of conferences, cost levels, rate structure and techniques of port organization and operations as well as the implications of technical advances for the expansion of merchant marines of developing countries.

2. Freight rates and conference practices

(a) Immediate steps are needed at the second session of the Conference to provide a basis for future action on freight rates which are not only continuing to rise but are still discriminatory and restrictive vis-à-vis the developing countries;

(b) Developed countries should press freight conferences and shipowners to abolish the widespread practice of fixing special high freight rates for the transport of non-traditional products of the developing countries and to lower freight rates applied to traditional exports of the developing countries;

(c) Developing countries ask the second session of the Conference to adopt the following principles:

(i) The right of developing countries to take part in any freight conference affecting their maritime traffic on an equal footing with shipowners of developed countries;

(ii) Freight conferences to have representation in developing countries;

(iii) Publication of information, including advance publication of any proposed changes on freight rates and other cargo arrangements by freight conferences affecting the foreign trade of developing countries.

(d) Developing countries should intensify their co-operation among themselves, *inter alia* on a regional basis, to secure maximum benefits and better bargaining positions in the field of shipping, in particular regarding freight rates.

3. Expansion of merchant marines

(a) Developing countries affirm their unquestionable right to establish and to expand their merchant marines in the context of rising freight rates and the prospects of their foreign trade;

(b) Developed countries and international agencies should extend financial and technical assistance to developing countries for the establishment and expansion of national and regional merchant marines and related facilities. Such assistance should include the training of personnel in the economic, managerial, technical and other aspects of shipping. Financing arrangements should be in favour of national enterprises;

(c) All countries should recognize the right of developing countries to assist their merchant marines, including the right to reserve a fair share of the cargo transported to and from those countries;

(d) The regulations enacted by developing countries with a view to achieving the objectives aforementioned should not be considered justification for the adoption of retaliatory or other measures by the developed countries and their shipping conferences which may have the effect of rendering ineffective the measures taken by the developing countries;

(e) Developing countries should be enabled to make the maximum use of their shipbuilding industries and expand them.

4. Consultation machinery

(a) Specific action should be taken by UNCTAD in collaboration with the United Nations Development Programme and the regional economic commissions to give effect to the resolution of the Committee on Shipping on the establishment of national and regional consultation machinery⁶ in various parts of the world in accordance with the provisions adopted;

(b) Financial and technical assistance should be given to developing countries for the establishment of such machinery where necessary.

5. Port improvements

(a) Practical measures should be devised at the second session of the Conference for financing and giving technical assistance to developing countries for port development and allied works and programmes relating to port operation, taking into account technical advances in shipping;

(b) Measures should be devised at the second session of the Conference for ensuring that savings achieved by

the improvement of port facilities in shipping operations are utilized to the advantage of developing countries through reduction of freight rates in respect of the port achieving such improvement.

6. Insurance and reinsurance

(a) Developed countries should reduce the cost of reinsurance to developing countries;

(b) A substantial part of the technical reserves of the insurance and reinsurance companies should be retained in the countries where premium incomes arise for reinvestment in those countries;

(c) Developing countries should be technically and financially assisted in building up their own insurance and reinsurance facilities.

7. Tourism

(a) Developed countries and financing institutions should extend credits on easy terms to developing countries for promoting tourism;

(b) Developed countries and international credit institutions should make investments in infrastructure in tourism in developing countries;

(c) Passenger fares to developing countries should be concessional and attractive and other facilities should be provided in order to encourage tourist traffic.

E. GENERAL TRADE POLICY ISSUES

1. Principles governing international trade relations and trade policies conducive to development

(a) The second session of the Conference should review the implementation of the principles governing international trade relations and trade policies conducive to development;

(b) In compliance with recommendations A.I.1⁷ and A.I.3⁸ of the Final Act of the first session of the Conference which leave open the completion of these principles, the second session may elaborate new principles. However, principles already adopted would not be subject to re-examination.

2. Trade relations among countries having different economic and social systems

(a) The expansion of trade between developed socialist countries of Eastern Europe and developed market-economy countries should not unfavourably affect the trading possibilities of developing countries but on the contrary should lead to a rising trade between them and the latter. In pursuance of this objective, the socialist countries should provide in their economic development plans and trade policies measures for accelerated increase of their imports of primary commodities and manufactures and semi-manufactures originating from developing countries;

(b) Socialist countries should also reaffirm the assurances given by them at the first session that they will

⁶ See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 2, annex I.*

⁷ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 18-25.

⁸ *Ibid.*, p. 26.

refrain from re-exporting the goods purchased from the developing countries unless it is with the consent of the developing countries concerned;

(c) Socialist countries should adopt the necessary measures to reduce the gap between import and sales prices of products originating in developing countries in order to promote the consumption of these commodities; the establishment in the import policies and trade programmes of the socialist countries of margins of tolerance with regard to prices, delivery dates and other conditions relating to exports from developing countries would greatly contribute to the increase of trade between these countries and the socialist countries;

(d) Credit extended by socialist countries for financing public and private projects in developing countries should be adapted to the particular conditions of the countries concerned, and, where possible, provision should be made for repayment by the export of the products of those or other projects;

(e) In the case of contracts concluded between the enterprises in the developing countries and the relevant agencies in the socialist countries, due attention should be given to the periods covered by those contracts in order to enable the enterprises to plan and execute with greater efficiency their investment, production and delivery programmes.

3. *Impact of regional economic groupings*

(a) Regional economic groupings of developed countries should avoid discriminating against the export of developing countries of manufactures, semi-manufactures and of primary products, particularly temperate and tropical agricultural commodities;

(b) The expansion of these groupings should not increase the incidence of any discrimination;

(c) Regional economic groupings of developed countries should take measures with a view to ensuring freer access of the exports of developing countries.

4. *International division of labour*

A new and dynamic international division of labour should be applied whereby developed countries avoid taking protective measures affecting agricultural exports of developing countries in fields in which they are more efficient and duplicating investments already made, or about to be made, by developing countries in industry. Conditions should be created for industrialization in developing countries to make the fullest use of their available resources. Diversification of the production of developing countries should also be carried out within a framework of a division of labour that would enable the greatest flow of trade on the one hand among developing countries and, on the other hand, between those countries and others.

5. *The world food problem*

It was agreed that, in the light of the fact that the item had only recently been introduced, consultations would be pursued within the Group of 77 with a view to adopting a common position on the world food problem for the second session of the Conference.

6. *Special problems of the land-locked countries*

A group of experts should be established in order to carry out a comprehensive examination of the special problems involved in the promotion of trade and economic development of the land-locked developing countries, with special reference to the high costs involved in the execution of their development programmes and trade expansion programmes. In the light of this examination, adequate financial and technical assistance should be extended by international financial institutions to minimize the cost of the factors involved. The international financing agencies should also give priority to such technical and financial assistance programmes as the land-locked developing countries may propose in connexion with the special problems of their trade and development and, in particular, with the development and improvement of their transport infrastructure.

7. *Transfer of technology, including know-how and patents*

(a) The developed countries should encourage the transfer of knowledge and technology to developing countries by permitting the use of industrial patents on the best possible terms which will enable products manufactured in developing countries to compete effectively in world markets;

(b) They should also promote the elimination of restrictive practices, relating to market distribution and price-fixing, which are imposed by enterprises in developed countries in granting licences for the use of patents and trade-marks in developing countries;

(c) The developed countries should provide guidance to their industrial entrepreneurs regarding investment opportunities in the export industries of the developing countries and familiarize them with legal, political, economic and other relevant information on the situation in the developing countries.

F. *TRADE EXPANSION AND ECONOMIC INTEGRATION AMONG DEVELOPING COUNTRIES*

(a) The developing countries reaffirm that trade expansion and economic co-operation among themselves is an important element of a global strategy for development, and they are therefore determined to make their own contribution toward the fulfilment of the objectives of the second session of the Conference by stepping up their efforts in this respect. Such action can in no way be regarded as a substitute for larger and more remunerative exports to developed countries or for a greater contribution by the latter countries. However, trade expansion and economic integration among developing countries raise special problems and difficulties as compared with similar processes among developed countries. Action with regard to trade barriers will therefore not be enough, but must be combined with suitable measures in other fields in particular investment matters and payments. In this connexion, the availability of appropriate external financing and technical assistance would be an important contribution for enabling developing countries to achieve more rapid progress in trade expansion and integration efforts. This international support should however be granted in a manner that

would fully respect the determination of developing countries to follow their own methods of approach when expanding trade and advancing towards integration among themselves.

(b) The developing countries will inform the second session of the Conference of the efforts they are making or planning to make, in order to increase their trade and strengthen their economic co-operation, particularly in the field of inter-regional, regional and sub-regional co-operation.

(c) Since the joint efforts of the developing countries cannot be fully successful without financial and technical aid from the developed countries, the latter should at the same time make a formal declaration of support for the developing countries' efforts at co-operation and integration, specifying the nature and the volume of financial assistance they are prepared to render to those efforts.

(d) At the second session of the Conference, a special working group should be set up to study the practical problems related to:

- (i) Trade expansion, economic co-operation and integration among the developing countries, including consideration of the special problems of the least developed countries;
- (ii) The establishment or improvement of multilateral payments systems between developing countries;
- (iii) The practical measures for the implementation of an international policy which would support these joint efforts with particular reference to financial and technical assistance.

Regional or sub-regional groups of developing countries should be invited to participate in the working group.

(e) The second session of the Conference should establish a permanent committee whose task would be to study all questions relating to trade expansion and economic integration among developing countries, with particular reference to ways and means of enabling the developing countries participating in such groupings to derive equitable benefits therefrom.

This Committee should, in particular, undertake the following activities:

- (i) The study, centralization and dissemination of information and data on the experience acquired by developing countries in dealing with specific problems of sub-regional, regional or interregional co-operation and integration, and the organization of symposia on such problems for national and regional officials;
- (ii) Studies relating to the possibility of establishing export and import groupings by commodity, or by group of commodities, among developing countries;
- (iii) Studies for the improvement of the infrastructure of transport and communications among developing countries;
- (iv) Study the possibility of establishing national and regional information and trade promotion centres in developing countries;

(f) Consideration should be given to the establishment, under the auspices of UNCTAD and of other specialized agencies, of a special centre to train experts, particularly from developing countries, in the field of economic co-operation and integration among developing countries.

(g) The international information and trade promotion centre which is being established under the sponsorship of UNCTAD and GATT should give due importance to the question of promoting exports among developing countries.

G. SPECIAL MEASURES TO BE TAKEN IN FAVOUR OF THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES

Owing to the varying stages of economic development existing among the developing countries and to the varying factors responsible for their development, the trade and financial policy measures required to accelerate the pace of economic development would differ from one developing country to another. It is therefore essential to devise a global strategy of convergent measures in order to enable the least developed among the developing countries to derive equitable benefits so that all the developing countries would gain comparable results from international economic co-operation of member countries of UNCTAD, particularly that with the developed countries.

The individual measures recommended by the first session of the Conference and those that would be recommended by the second session should be viewed as components of an integrated policy of co-operation for achieving the over-all objectives of trade expansion and accelerated development. All these measures are inter-related.

While the appropriate mix of the convergent measures required for the least developed countries cannot be determined at this stage, these measures may be devised from the spheres of:

- (a) Commodity policy, including measures of financial and technical assistance for diversification programmes;
- (b) Preferences in trade of manufactures and semi-manufactures;
- (c) Development finance;
- (d) Regional economic integration;
- (e) Invisibles;
- (f) Trade promotion.

With regard to commodity policy, the following actions should be recommended to be taken by the second session of the Conference:

Special consideration of the need of the least developed countries in relaxing tariff and non-tariff barriers affecting access to the markets both in tropical and temperate products;

Temporary refunds, at least in part, of revenue charges and duties on commodities of particular interest to least developed countries.

With reference to manufactures and semi-manufactures, the recommendation on the general scheme of preferences contained in this document under section B (Expansion

of exports of manufactures and semi-manufactures) should be taken into consideration and adopted. This should take place independently of the principle in virtue of which substantial advantages may be granted to the least developed among the developing countries under systems of regional or sub-regional integration; while the latter, where appropriate, attain perfection in the matter of customs duties.

For the purpose of designing special measures for the least developed countries, it does not seem to be desirable or convenient to attempt an abstract general definition of such countries nor, at this stage, an *a priori* strict listing of such countries applicable to specific measures considered. Hence, this could be better undertaken, in due course, in a form agreed upon by the developing countries.

In order to give effect to the provisions of section G, the Ministerial Meeting decides to establish a working group. The function of the working group shall be to make a special study of the arrangements to be made on the matters referred to in the third paragraph of this section.

Composition of the working group: it is agreed that each regional group shall be represented on this group by five members.

The working group shall meet at Geneva on or about 1 December 1967. It shall submit its report to the countries members of the Group of 77 not later than 15 January 1968.

Part Three

A. FUTURE ACTIVITIES OF THE GROUP OF 77

The representatives of developing countries of the Group of 77 are firmly decided to maintain and further strengthen the unity and solidarity of the group of developing countries. They agree to maintain continuous consultations and contacts in order to further that objective.

The Group of 77 should meet at the ministerial level as often as this may be deemed necessary, and in any case always prior to the convening of sessions of the United Nations Conference on Trade and Development, in order to harmonize the positions of developing countries and to formulate joint programmes of action in all matters related to trade and development. It can also meet at any other level, as required by the needs of developing countries.

In all matters relating to preparations for ministerial meetings of developing countries, and during the intervals between these ministerial meetings, and for the formulation of joint positions on issues within the purview of UNCTAD, the competent authority of the Group of 77 is the Group of 31 developing countries. This Group of 31 is composed of the developing countries members of the Trade and Development Board, and should normally meet concurrently with the Trade and Development

Board. For all matters related to their specific fields of activities the developing countries members of the Committee of the Board are fully competent.

The Co-ordinating Committee of the Group of 77, as established in Geneva in October 1966, should be continued until the New Delhi Conference with the following terms of reference;

(a) To assist in making appropriate arrangements for visits of goodwill missions;

(b) To transmit to Government of States members of the Group of 77 the reports of the goodwill missions received from the President of the Ministerial Meeting;

(c) To undertake any other work that may be entrusted to it by the Group of 77 in Geneva.

Informal co-ordinating groups of the Group of 77 should be established at all headquarters of the various United Nations specialized agencies.

B. GOODWILL MISSIONS

The representatives of the developing countries participating in the Ministerial Meeting of the Group of 77 have decided to send high-level goodwill missions to countries belonging to other groupings of member States of UNCTAD. These missions, entrusted with the task of informing and persuading, shall acquaint the respective Governments of the countries to be visited of the conclusions of the Meeting so as to contribute to the creation of the best possible conditions for negotiations on the programme of action at the second session of the Conference.

There will be six high-level goodwill missions to visit capitals of developed and socialist countries, composed of at least one, and if possible, two special envoys accredited by Heads of States from each of the three regional groups within the Group of 77. Each mission will be headed by one of its members so as to ensure that each regional group provides two mission leaders.

Necessary steps will be taken immediately to contact the respective Governments to fix suitable dates for the visits of the missions in such a way as to ensure the completion of all visits before the end of November 1967.

Each mission will submit its report to the President of the Ministerial Meeting who, in his turn, in co-operation with the Co-ordinating Committee, will forward these reports to all the developing countries members of the Group of 77 as soon as possible.

The President of the Ministerial Meeting of the Group of 77 was requested to present the Charter of Algiers to the General Assembly of the United Nations and to the Secretary-General of the United Nations. The President of the Ministerial Meeting, in his turn, invited the Rapporteur-General of the Ministerial Meeting and the Chairmen of the four Main Committees of the Meeting to accompany him on this mission. He also invited the Vice-Presidents of the Ministerial Meeting to accompany him if their duties permit them to do so.

ANNEXES TO THE CHARTER OF ALGIERS

ANNEX I

Reports of the four Main Committees of the Ministerial Meeting of the Group of 77

CONTENTS

	<i>Page</i>
Report of the First Committee.	442
Report of the Second Committee	444
Report of the Third Committee	446
Report of the Fourth Committee.	450

Report of the First Committee

1. The Committee on Commodity Problems and Policies, established by the Ministerial Meeting at its sixth plenary meeting, was composed of all the members of the Ministerial Meeting. Its function was to examine item 10 of the provisional agenda for the second session of the Conference.

2. The Committee met from 14 to 21 October 1967 under the chairmanship of H. E. Mr. Habib Thiam (Senegal), who was elected Chairman of the Committee at the plenary session at which it was set up. The Committee held eight plenary meetings, at which it examined the substance of the matters referred to it, and its conclusions and decisions are set out below.

3. At its first meeting the Committee, having elected Mr. Lim Swee Aun (Malaysia) Vice-Chairman, and Mr. Raúl Sosa Rodríguez (Venezuela), Rapporteur, in accordance with rule 8 of the rules of procedure of the Ministerial Meeting, agreed to take as the basic documentation for its work those common features of the three declarations (the Charter of Tegucigalpa, the Bangkok Declaration and the African Declaration of Algiers) which fell within its terms of reference. The document prepared by the secretariat comparing the three declarations (MM.77/I/10) facilitated the Committee's work in that respect. Item 10 of the provisional agenda for the second session of the United Nations Conference on Trade and Development is divided into sub-items (a), (b), (c) and (d). Since the first sub-item is a general review, the Committee decided to limit its consideration to sub-items (b), (c) and (d). It was generally agreed, however, that delegations were at liberty to submit for the Committee's consideration any remarks or observations within its terms of reference. The Committee accordingly received a proposal submitted by one delegation on "Guaranteed minimum international agricultural wage as a basis for determining commodity prices", which is reproduced in appendix C to this report.

4. The Committee agreed to recommend that the Ministerial Meeting should request the Secretary-General of UNCTAD to undertake a study on the subject.

5. At its second meeting the Committee, having decided that the substance of its work should be the synthesis of the points common to all three declarations, established a working group for that purpose. The report submitted by the group showed that there were no fundamental differences between the three proposals.

6. The Committee therefore submits the following recommendations to the Ministerial Meeting in the hope that they will be adopted unanimously.

Item 10 (b). Main elements of commodity policy, including international commodity arrangements and other techniques of commodity stabilization

7. The First Committee,

Recognizing that commodity problems, in many cases, could be dealt with by international commodity arrangements and agreements,

Noting that such agreements and arrangements should be negotiated on a commodity-by-commodity basis,

Considering that it is necessary for producing developing countries to consult and co-operate among themselves in order to defend and improve their terms of trade by effective co-ordination of their sales policies and practices,

Agreed to recommend:

(a) The conclusion not later than the end of this year and in any case before the second session of the Conference, of an international agreement on cocoa as stipulated by General Assembly resolution 2210 (XXI);

(b) The conclusion of an international agreement on sugar early in 1968;

(c) The conclusion at the earliest possible date of international arrangements on the products listed in appendix A, which in the opinion of the Committee are mature for action;¹

(d) That appropriate action on an urgent basis be taken on the products listed in appendix B which deserve close and special attention;²

(e) That, without prejudice to the existing international bodies in the field of primary commodities, UNCTAD should be the central and co-ordinating machinery for the convening and negotiation of international agreements on commodities.

Operations and financing of buffer stocks

(a) Operations of buffer stocks

8. The Committee agreed that a buffer stock scheme, as a short-term measure for market stabilization, should, where appropriate, be one of the techniques for international commodity arrangements and agreements and, in this respect, recommended that UNCTAD II should determine which commodities, including those affected by competition from synthetics and substitutes, are likely to respond to control through such a scheme.

(b) Financing

9. The Committee agreed that the international financial institutions and developed countries should participate in the prefinancing of buffer stocks and that with regard to its regular income, producers and consumers should devise formulae ensuring equitable distribution of costs.

¹ A few delegations entered their reservations.

² Two delegations entered their reservations.

Role and financing of diversification programmes

10. The Committee, recognizing that diversification constitutes an essential element in the process of economic development of developing countries and with a view to helping them accelerate this process agreed:

(a) To recommend that more financial and technical assistance be made available by developed countries and the appropriate international financial institutions to developing countries for the establishment of industries in developing countries with a view to diversifying their economies, especially those based on the processing of primary commodities at present being exported in crude form;

(b) To endorse the view that, where appropriate, specific funds for diversification may be one of the features of commodity arrangements;

(c) To recommend that, in the process of trade expansion and economic integration among developing countries, highest priority should be given to requests for financial and technical assistance to diversification programmes on the interregional, regional or sub-regional level;

(d) To recommend that diversification of the economies of developing countries should be carried out within a dynamic framework of division of labour, on the one hand, between developing countries and, on the other hand, between developed and developing countries;

(e) To recommend that access to the markets of developed countries should be guaranteed to the products resulting from the programmes of diversification of developing countries.

Item 10 (b) (iii). Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from export of primary commodities

11. The Committee agreed to recommend that the main objective of pricing policy should be:

(a) The elimination of excessive price fluctuations;

(b) The highest possible earnings from the exports of primary products;

(c) Maintenance and increase of the purchasing power of the products exported by developing countries in relation to their imports; and

(d) That developed countries should undertake to assist in achieving more stable and higher prices for unprocessed and processed commodities from developing countries by eliminating internal charges and revenue duties.

Item 10 (c). Programme for the liberalization and expansion of trade in commodities of interest to developing countries

Standstill

12. The Committee reaffirmed its support for the implementation of recommendation A.II.1 of the first session of the Conference and stressed the obligation on the part of developed countries not to introduce any new tariff and non-tariff restrictions and a commitment by them to eliminate by 31 December 1968 all tariff and non-tariff restrictions that they have introduced since the first session in 1964.

Removal of tariff and non-tariff barriers

13. The Committee, recognizing the need for a programme of liberalization of trade in primary commodities of interest to developing countries, recommended:

(a) The removal of all restrictions and charges applied by developed countries to primary commodities including semi-processed primary products originating exclusively from developing countries in accordance with recommendation A.II.1 (paragraphs 3, 4 and 5 of part II) of the first session of the Conference;

(b) That developed countries should adopt a programme of specific commitments for the elimination of tariff and non-tariff barriers, including duties and revenue charges;

(c) That, pending the elimination of internal duties and revenue charges, a system of partial refund should be introduced to lead progressively on an annual basis to full refund;

(d) That developed countries should implement, without phasing and without reciprocity in favour of all developing countries, the tariff reduction offered during the Kennedy Round negotiations, on primary products of export interests to developing countries.

Minimum share of markets

14. The Committee, reaffirming the need to guarantee to developing countries a minimum share in the markets of developed countries, recommended that:

(a) A defined percentage of the consumption of developed countries for products competing with their domestic production should be allocated to developing countries; in any case, a substantial share of any increase in domestic demand for primary commodities in the developed countries should be reserved for the output of developing countries. This allocation should be arrived at on a country-by-country and commodity-by-commodity basis, through multilateral negotiations;

(b) Developed countries should agree to establish self-sufficiency formulae which would guarantee to developing countries adequate conditions of access for their exports;

(c) A programme of measures should be adopted to discourage uneconomic production, in the developed countries, of products which compete with products originating from the developing countries, and to abolish subsidies on the production and export of such competing products.

Surpluses and reserve stock disposals

15. The Committee agreed that existing machinery for consultation on surplus disposal should be widened and reinforced and suitable machinery established, where such arrangements do not exist, in order to ensure that the disposal of production surpluses or strategic reserves does not result in the depression of international prices, and does not adversely affect developing countries' exports or the intra-regional trade and agricultural development of developing countries and the position of developing countries receiving those surpluses as assistance.

Use of escape clauses

16. The Committee agreed to recommend that, under a multilateral institutional arrangement, objective criteria should be adopted for identifying situations in which restrictions are applied by virtue of safeguard clauses, and that the unilateral application of restrictions should be avoided.

*Preferences**17. The Committee,*

Bearing in mind the desire expressed by all the members of the Group of 77 to apply recommendation A.II.1, part II, paragraphs 3 and 6 concerning the elimination of preferences, adopted unanimously at the first session of the Conference and,

Noting that the abolition of preferences requires that the developed countries grant equivalent advantages to the countries which at present enjoy such preferences,

Noting also that the developed countries have not so far taken effective measures for the implementation of this recommendation,

Considering that, in the case of certain commodities, the special preferences in force could be reduced or even abolished through international agreements,

Decided to recommend the Ministerial Meeting:

18. To request the Secretary-General of UNCTAD and the regional groups to undertake studies, commodity-by-commodity and country-by-country, on the effect of the abolition of the special preferences in force should the case arise, and on the steps necessary to ensure that countries which at present enjoy such preferences receive advantages at least equivalent to the losses resulting from abolition.

Item 10 (d). Problems arising from the development of synthetics and substitutes

19. The Committee agreed to recommend that:

(a) Special arrangements should be made for technical and financial assistance to improve the marketability of primary products and for research into the development of new uses and the improvement of the quality of those products affected by the competition of synthetics and substitutes;

(b) Developed countries should refrain from subsidizing the production of synthetics and substitutes, particularly of those that compete with the natural products of developing countries;

(c) Natural products of developing countries facing competition from synthetics and substitutes originating from developed countries should be accorded preferential treatment in the markets of developed countries;

(d) The provision of Special Principle Nine of the Final Act of the first session of the Conference on dumping should be implemented with special reference to the marketing of synthetic products;

(e) Special efforts should be made to increase the trade of primary commodities among developing countries, in particular of commodities facing competition from synthetics and substitutes on a mutually advantageous basis.

Appendix A

Oil-seeds and vegetable oils
Bananas
Natural and synthetic rubber
Tea
Sisal and hard fibres

Appendix B

Iron-ore	Citrus fruit
Nickel	Manganese-ore
Tobacco	Pepper
Cotton	Mica
Wine	Shellac
Tungsten	

*Appendix C **

Proposal concerning a guaranteed minimum international agricultural wage as a basis for determining commodity prices

In order to halt the deterioration in the terms of trade, the fixing on an objective basis of a guaranteed minimum international agricultural wage as a means of assuring to primary commodity producers remunerative prices that will yield them a normal living through a fair and stable purchasing power.

Report of the Second Committee

1. At its fourth meeting on 13 October 1967, the Ministerial Meeting established the Second Committee as a committee of the whole and referred to it agenda item 11 (c), namely:

Consideration of the substantive items of the provisional agenda of the second session of the United Nations Conference on Trade and Development (TD/B/INF.10) with a view to determining the different chapters of the Final Document of the Ministerial Meeting and covering the following points:

(c) Item 11 — Expansion and diversification of exports of manufactures and semi-manufactures of developing countries.

2. At the same meeting the Ministerial Meeting unanimously elected Mr. Alfonso Palacio-Rudas (Colombia) Chairman.

3. The Committee held six meetings from 14 to 21 October 1967.

4. At its first meeting, the Committee unanimously elected Mr. Porn Srichamara (Thailand) Vice-Chairman and Mr. J. P. B. Baffoe (Ghana) Rapporteur.

5. The Committee adopted the following substantive agenda for its work:

(a) Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to the developed countries;

(b) Programme for the liberalization and expansion of trade of manufactures and semi-manufactures of interest to developing countries, including structural readjustment and trade with socialist countries;

(c) Measures for the promotion, expansion and diversification of exports of manufactures and semi-manufactures from developing countries; co-operation with the United Nations Industrial Development Organization aimed at the establishment and expansion of export oriented industries in developing countries; other forms of economic, industrial and technical co-operation.

6. At its third meeting, the Committee established a working group under the chairmanship of the Rapporteur to prepare drafts on points 1 to 3. The following countries were nominated to the working group: Algeria, Brazil, Guatemala, India, Ivory Coast, Nigeria, Pakistan, Peru and the Philippines. Other countries which were interested were invited to participate.

7. The working group met six times and after exhaustive discussion adopted a draft text which was approved by the Committee as its report to the Meeting.

Item 11 (b). Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to developed countries

Principles for a general system of preferences

The following principles should be adopted in order to implement a general system of preferences. They should be accepted simultaneously as complementary and indivisible measures.

1. At the second session of the Conference there should be negotiations which should lead to the conclusion of an agreement on a general system of tariff preferences on a non-discriminatory and non-reciprocal basis. The agreement should provide for unrestricted and duty-free access to the markets of all developed countries for all manufactures and semi-manufactures from all developing countries.

2. Without prejudice to the general provisions contained in paragraph 1 above, the escape clause actions as envisaged below may be taken; in particular special treatment may be granted by developed countries to the less developed among the developing countries.

3. The manufactures and semi-manufactures covered by the preferential system should include all processed and semi-processed primary products of all developing countries.

4. All developed countries should grant such preferences to all developing countries.

5. The form of the escape-clause action, the objective criteria which should govern the application of escape-clause action by developed countries and the procedures that should be followed in such cases must be agreed upon internationally. Such action must, however, be temporary in nature and be subject to international consultation, approval and review.

6. The preferential system must be conceived in such a way as to make it possible for the least advanced among developing countries to share in its benefits. Accordingly, any time limits of the system should be flexible so that countries at present in very incipient stages of development will also be able to reap its advantages. Escape-clause actions limiting or excluding particular exports should not apply to the less competitive products from less advanced coun-

* See document MM.77/1/C.1/1.

tries. Specific commitments should be taken for technical and financial assistance in the establishment of export-oriented industries in least advanced countries, with a view to markets both in the developed world and in other developing countries.

7. The new system of general preferences should ensure at least equivalent advantages to developing countries enjoying preferences in certain developed countries to enable them to suspend their existing preferences on manufactures and semi-manufactures. From the beginning, provisions should be incorporated in the system of general preferences, for the developed countries to redress any adverse situation which may arise for these developing countries as a consequence of the institution of the general system of preferences.

8. In order to achieve the objective of the general preferential system, the arrangement should last long enough to enable all developing countries to benefit from it. Initially the arrangement should last for twenty years and should be reviewed towards the end of this initial period. In any event the preferential treatment should not thereafter be abruptly terminated.

9. In order that the general system of preferences may make an adequate contribution to the balance-of-payments of the developing countries, the developed countries should not reduce their aid to them or nullify or impair the benefits of preferences through other measures.

10. Suitable machinery within UNCTAD should be established to supervise and ensure the effective implementation of a general system of preferences in accordance with the foregoing paragraphs.

Item 11 (c). Programme for the liberalization and expansion of trade in manufactures and semi-manufactures of interest to developing countries

1. The developed countries should implement immediately, without phasing, in favour of all developing countries concessions agreed on during the Kennedy Round of trade negotiations, on products of export interest to the latter countries.

2. The developed countries should state at the second session of the Conference that all concessions agreed on during the Kennedy Round of trade negotiations on products of export interest to developing countries would be extended at the time of implementation to all developing countries whether or not members of the General Agreement on Tariffs and Trade (GATT), without reciprocity.

3. At the second session of the Conference both developed and developing countries should, on the basis of the evaluation of the Kennedy Round being prepared by the UNCTAD and GATT secretariats, identify all outstanding issues for further negotiations. The principles of most-favoured-nation treatment and reciprocity should in no way be introduced in these negotiations. In these negotiations all developing countries should be allowed to participate if they so desire.

4. Developed countries should implement the agreements reached at UNCTAD I on liberalization for manufactures and semi-manufactures of export interest to the developing countries, particularly as regards the principle of the *status quo*.

5. Developed countries should establish at the second session of the Conference a concrete programme for the removal of quantitative restrictions at an early date, particularly those which are applied by them inconsistently with their international obligations, and also give an undertaking not to renew existing restrictions or impose new quantitative restrictions, nor adopt any other measures having equivalent effects on products of export interest to developing countries.

6. Developed countries should supply all relevant information to the UNCTAD secretariat in respect of non-tariff barriers other than quantitative restrictions applied in the markets of the developed countries for examination at the second session of the Conference.

7. Objective criteria should be established for the application of restrictions to trade in products from developing countries under

escape clauses relating to "market disruption" and other "special circumstances" applied by developed countries, so that such situations may be defined, provisions may be laid down specifying what measures restrictive of trade can legitimately be applied when such a situation is found to exist, and compensation may be fixed which corresponds to the loss or damage suffered by developing countries. Multilateral consultative and supervisory machinery should be set up for that purpose. Developed countries should undertake measures for anticipatory structural readjustments and other measures for bringing about such changes in their production patterns so as to eliminate the possibility of resorting to restrictive trade policies or escape clause-actions on ground of market disruption in relation to products of export interest to developing countries in order to establish a new international division of labour that would be more equitable. Developed countries should not promote the development in their territories of industries of particular interest to the developing countries. In those cases where developed countries have invoked escape clauses on grounds of market disruption, they should make the appropriate domestic structural adjustments.

8. Developed countries should take appropriate action to carry out readjustments in the tariff nomenclatures of their countries so as to facilitate the granting of duty-free entry on products exported by and large by developing countries.

9. The machinery which would be established to supervise the effective implementation of a general system of preferences should also supervise the programme for the elimination of tariff and non-tariff barriers, and the application of escape clauses, in particular any such barriers which prejudice or nullify the scheme of general preferences.

10. Trade with socialist countries

Socialist countries should grant concessions to developing countries whose advantages are at least equivalent to the effects of preferences which would be granted by developed countries with market economies.

Socialist countries should:

- (i) Adopt and implement measures designed to increase the rate of growth of the imports of manufactures and semi-manufactures from developing countries and to diversify such imports in consonance with the latter's trade and development requirements;
- (ii) Undertake to contribute to the maintenance of remunerative and stable prices for the exports of developing countries by the inclusion of suitable provisions in their trade agreements with these countries;
- (iii) In drawing up their national and regional development plans, take due account of the production and export potential in developing countries;
- (iv) Abolish customs duties and other trade restrictions on goods imported from and originating in developing countries;
- (v) Eliminate the margin between the import price and the domestic selling price of the goods imported from developing countries;
- (vi) Refrain from re-exporting the goods purchased from developing countries, unless this is done with the consent of the developing countries concerned;
- (vii) Encourage the conclusion of industrial branch agreements for the supply of plants and equipment on credit to the developing countries, accepting repayment of such credits with, particularly, the goods manufactured by these plants in the developing countries concerned;
- (viii) Multilateralize, to the extent possible, among the socialist countries of Eastern Europe, payments arrangements with developing countries to facilitate increase of imports from the latter;
- (ix) Grant preferential access conditions for products originating in developing countries. These conditions should include the

establishment, in their international purchasing policies, of margins of tolerance in favour of the developing countries with regard to prices and delivery terms;

- (x) Within the framework of UNCTAD set up permanent consultative machinery through which socialist countries and developing countries can promote mutual trade and economic co-operation, as well as solve the problems and obstacles which may arise.

Item 11 (d). Measures for the promotion, expansion and diversification of exports of manufactures and semi-manufactures from developing countries; co-operation with the United Nations Industrial Development Organization aimed at the establishment and expansion of export-oriented industries in developing countries; other forms of economic, industrial and technical co-operation

1. The diversification of production of manufactures and semi-manufactures of developing countries should be carried out within the framework of a new and more equitable international division of labour between developing and developed countries.

2. Developed countries should abstain from harming the interests of developing countries by pressing production of commodities produced principally by developing countries and, in that regard, they should encourage the establishment in developing countries of export industries processing primary commodities produced by the latter.

3. Developed countries and international agencies should channel more, and more effective, technical and financial assistance in order to improve the productivity of developing countries' industries and their competitiveness in international markets.

4. International co-operation should also be secured with a view to the dissemination of trade information, particularly with regard to the opportunities offered by developed countries' markets. To that end, developing countries should support the establishment of the joint UNCTAD/GATT trade promotion centre and obtain the financial and technical support of developed countries for its operation. Also close and continuing co-operation between UNIDO and UNCTAD should be promoted, on the general understanding that "the former shall be competent to deal with the general and technical problems of industrialization, including the establishment and expansion of industries in developing countries, and the latter with the foreign trade aspects of industrialization, including the expansion and diversification of exports of manufactures and semi-manufactures by developing countries".¹ Furthermore, developing countries should take into consideration the possibility of the establishment of a unique export promotion centre within the United Nations family under the auspices of UNCTAD.

Technology

5. Developed countries should encourage the transfer of knowledge and technology to developing countries by permitting the use of industrial patents on the best possible terms which will enable products manufactured in developing countries to compete effectively in world markets.

6. They should also promote the elimination of restrictive practices relating to market distribution and price-fixing, which are imposed by enterprises in developed countries in granting licences for the use of patents and trade-marks in developing countries.

7. Developed countries should provide guidance to their industrial entrepreneurs regarding investment opportunities in the export industries of developing countries and familiarize them with legal, political, economic and other relevant information on the situation in developing countries.

Report of the Third Committee

1. The Third Committee was established by the Ministerial Meeting of the Group of 77 at its fourth plenary meeting on 13 October 1967 in accordance with rule 4 of the rules of procedure of the Ministerial Meeting. At the same session, Mr. T. Swaminathan (India) was elected Chairman of the Committee.

2. At its first meeting on 16 October 1967, the Committee elected Mr. M. J. Magarinos de Mello (Uruguay) Vice-Chairman, and Mr. M. Z. Shafei (United Arab Republic) Rapporteur.

3. The following items of the provisional agenda of the second session of the Conference were allocated to the Third Committee:

Item 12. Growth, development finance and aid (synchronization of international and national policies)

(a) Review of recent developments and long-term trends in the light of recommendations and other provisions of the Final Act of the first session of the Conference.¹

(b) Financial resources and requirements of developing countries and measures to accelerate their economic development:

- (i) Increasing the flow of international public and private capital;
- (ii) Improving the terms and conditions of aid;
- (iii) Alleviating the problems of external indebtedness;
- (iv) Improving the mobilization of internal resources.

(c) Supplementary financial measures;

(d) Compensatory financing facility;

(e) International monetary system — issues relating to development finance and trade of developing countries.

Item 13. Problems of developing countries in regard to invisibles including shipping

(a) Review of recent developments and long-term trends in the field of invisibles including shipping and international legislation thereon in the light of recommendations and other provisions of the Final Act of the first session of the Conference.^{2, 3}

(b) Level and structure of freight rates, conference practices and adequacy of shipping services — progress report on studies by the secretariat

(c) Shipping industry in developing countries including expansion of merchant marines of developing countries

(d) Consultation machinery in shipping

(e) Port improvements. Progress report on studies by the secretariat.

Item 16. General review of the work of UNCTAD

(a) Activities of the organs of the Conference

(b) Technical assistance activities relating to trade, including training of technical and special staff of developing countries

4. The Committee had before it the following documents dealing with the subjects under consideration:

¹ The purpose of sub-item (a) is to provide delegations with general factual information about the subject matter of the item. No general debate is expected since such a debate will take place under item 8.

² The purpose of sub-item (a) is to provide delegations with general factual information about the subject matter of the item. No general debate, except with respect to international legislation on shipping, is expected since such a debate will take place under item 8.

³ In this review due regard should be had of the activities of the Inter-Governmental Maritime Consultative Organization and other competent international organizations in this field in order to avoid unnecessary duplication.

¹ General Assembly resolution 2152 (XXI).

TD/B/108	Review of the implementation of the recommendations of the Conference.
TD/B/116/Rev.1 TD/B/C.4/30/Rev.1	Report of the Committee on Shipping on its second session (21 February-8 March 1967) (<i>Official Records of the Trade and Development Board, Fifth Session, Supplement No. 2</i>)
TD/B/118/Rev.1 TD/B/C.3/51/Rev.1	Report of the Committee on Invisibles and Financing related to Trade on its second session (4-19 April 1967) (<i>Official Records of the Trade and Development Board, Fifth Session, Supplement No. 3</i>)
TD/B/119 TD/B/C.3/52	Agreed statement on the problems of development
A/6714	Report of the Trade and Development Board: 25 September 1966-9 September 1967 (<i>Official Records of the General Assembly, Twenty-second Session, Supplement No. 14</i>)
TD/5/Rev.1	<i>Review of International Trade and Development, 1967</i> (United Nations publication, Sales No.: E.68.II.D.4)
MM.77/I/Misc.9	The African Declaration of Algiers
MM.77/I/Misc.3	The Bangkok Declaration
MM.77/I/Misc.7	The Charter of Tequendama
MM.77/I/4	Reference document of the Co-ordinating Committee on items 11 and 14 of the provisional agenda of the Ministerial Meeting of the Group of 77
MM.77/I/4/Add.1	Trends and problems in world trade and development
MM.77/I/10 and Corr.1	Comparison of the African Declaration of Algiers, the Bangkok Declaration, the Charter of Tequendama, and the reference document of the Co-ordinating Committee of the Group of 77
MM.77/I/C.3/1	Financing issues agreed by the African Declaration of Algiers, the Bangkok Declaration and the Charter of Tequendama: note by the Bureau.
MM.77/I/C.3/2	A reconciliation of recommendations on financing: note by the Bureau.
MM.77/I/C.3/3	Invisibles, including shipping. Issues agreed by the African Declaration of Algiers, the Bangkok Declaration and the Charter of Tequendama: note by the Bureau.
MM.77/I.C.3/4 and Add.1	Draft report of the Third Committee
MM.77/I/C.3/5 and Add.1	Synthesis draft on agreed and reconciled items: note by the Bureau
Add.2	Invisibles, including shipping — reconciliation of recommendations: note by the Bureau
MM.77/I/C.3/6	Invisibles, including shipping — reconciliation of recommendations: note by the Bureau

5. The Committee held six meetings from 16 to 21 October 1967.

6. In view of the fact that, a great deal of discussion had already taken place at the first session of the Conference and since on issues under the three agenda items allocated to the Committee, it was decided that no time should be spent on a general discussion. It was decided, accordingly, that the points of agreement in the three regional declarations, namely, the African Declaration of Algiers, the Bangkok Declaration and the Charter of Tequendama, should be synthesized into a reconciled text. As a result, only points on which there appeared to be basic differences were to be discussed in the Committee with a view to final reconciliation. Happily, in the Committee there were no such serious differences. This fact reflects the care and thoroughness with which seeming differences have been discussed and reconciled in the committees and in the Trade and Development Board meetings since the first session of the Conferences. Finally, it was decided that if there were any new ideas, these were to be introduced in such form as to stimulate thought towards launching and working them up during the second session of the Conference without raising serious controversies at the Algiers Ministerial Meeting, having in view its purpose to highlight in a unified document the common platform of the developing countries.

7. Accordingly, the Committee wishes to make the following recommendations which it hopes will be unanimously approved by the Meeting in plenary session. As most of the problems of development have already been identified by common agreement between developed and developing countries in the document entitled "Agreed statement on the Problems of Development", it is the hope of the Committee that in its report there is adequate indication of the lines on which negotiations should be organized at New Delhi leading to concrete results on most, if not all, the points herein listed.

Item 12. Growth, development, finance and aid (synchronization and national policies)

12 (b). Financial resources and requirements of developing countries and measures to accelerate their economic development:
(i) *Increasing the flow of international public and private capital*

(1) Each developed country should comply with the target of a minimum 1 per cent of its gross national product for net financial flows, in terms of actual disbursements, by the end of the United Nations Development Decade. A separate minimum target, within this goal, and progressively increasing, should be established for the official component of aid flows (net of amortization and interest payments).

(2) Any gaps remaining in the 1 per cent transfer each year should be made good by additional Government transfers.

(3) An examination should be made of the causes of the failure of developed countries to fulfil the undertaking made at the first session of the Conference to meet the development assistance target.

(4) International Development Association (IDA) resources should be immediately replenished and augmented.

(5) Governments of developed countries and financial institutions should extend and intensify their support to regional development banks.

(6) The International Bank for Reconstruction and Development (IBRD) should be made a development bank for developing countries exclusively. Total repayment of current loans by developed countries in advance of maturity should be secured. Such released funds should be used to augment resources of IBRD and IDA to finance development of developing countries.

(7) There should be no discrimination by international lending institutions against the public sector, in particular in industry.

(8) Private investments should be of permanent benefit to the host developing country. Subject to nationally-defined priorities and within the framework of national development plans, private investments should be encouraged by incentives and guarantees.

(9) Special consideration should be given to developing countries which have not so far received adequate international aid.

(10) No developed countries should decrease the existing level of their aid to developing countries, especially those forms of aid granted through negotiations.

(11) The developing countries affirm that they support negotiations by developing countries, whether bilateral or multilateral, with the developed countries with the aim of obtaining increased flows of development finance.

12 (b) (ii). Improving the terms and conditions of aid

Improvements in the terms and conditions of aid are urgently necessary and should include the following measures:

(1) At least the norms of lending laid down by General Assembly resolution 2170 (XXI) and the Development Assistance Committee of the Organisation for Economic Co-operation and Development should be reached by 1968.

(2) A considerable lowering of interest rates; and, beyond a date to be internationally agreed, all development lending should be on terms currently applied by the IDA. In regard to earlier loans on other than IDA terms, the interest should be subsidized by Governments of developed countries.

(3) Pending the general adoption of IDA terms, a considerable increase in maturities and of grace periods.

(4) A multilateral interest equalization fund should be created to cover the interest margin between loans obtained on international capital markets and concessional development loans.

(5) Aid should be rapidly and progressively untied, with a view to reaching the goal of total untying by a specific date; excess costs incurred through aid-tying should be subsidized by creditor countries; procurement in developing countries should be freely permissible, especially within the same region.

(6) External finance should be made available both for programmes and for projects and should include local costs where necessary.

(7) Aid commitments should be on a continuing basis to cover plan programmes over a period of years.

(8) Appropriate steps should be taken to improve the administration of aid including:

(a) The provision of technical assistance in the preparation of requests for aid and in the training of personnel in developing countries for that purpose;

(b) The reduction of the lag between the submission of projects for appraisal and the commitment of aid for such projects;

(c) The reduction of the lag between the commitment and the disbursement of aid, both project and non-project;

(d) Action towards ensuring uniformity in the appraisal of requests for aid by both international agencies and donor countries.

(9) An inter-governmental group with equitable representation of representatives of developed and developing countries should be established to deal with all aspects of commercial credits, including suppliers' credits.

12 (b) (iii). Alleviating the problem of external indebtedness

Suitable measures should be adopted for alleviating the debt servicing burdens of developing countries by consolidation of their short- and medium-term external debts into long-term obligations at low rates of interest. In case of imminent difficulties, speedy arrangements should be made for refinancing and re-scheduling of loans on "soft" terms and conditions.

12 (b) (iv). Improving the mobilization of resources

Developing countries realize that they must bear the main burden of financing their own development and must therefore maximize the mobilization of their resources, natural, financial and other. They have in recent years made efforts in the mobilization of domestic resources. These efforts should continue and be intensified. It is a matter of great concern that in recent years external resources flows to developing countries have not been adequate, especially as in many cases the lack of foreign exchange has frustrated the transformation of potentially available domestic savings into equivalent investment.

12 (c). Supplementary financial measures

The second session of the Conference should negotiate an agreement for early implementation of a scheme of supplementary financing on the basis of a consensus to be reached after considering the report of the Inter-governmental Group on Supplementary Financing on the IBRD staff study. Important features of the scheme should be:

(a) That the resources to be made available under the scheme are truly additional to the flow of basic finance required for economic development and that the scheme be accompanied by adequate basic finance to support the objectives of agreed development programmes;

(b) That these resources are adequate to meet the requirements of the scheme;

(c) That these resources should be supplied on IDA-like terms;

(d) The developing country and the administering agency would establish jointly export projections for a fixed period taking into account the policy it intends to follow during that period;

(e) That in no case shall the scheme involve internal policy commitments which prejudice the sovereignty of any member country as defined by that country, the means for achieving this objective to be further discussed at the forthcoming meeting of the Inter-Governmental Group on Supplementary Financing and negotiated at the second session of the Conference. These discussions and negotiations should take account, *inter alia*, of the positions expressed in the regional declarations of the developing countries.

12 (d). Compensatory financing facility

The developing countries ask that:

Drawings on the International Monetary Fund under the Compensatory Financing Facility should be automatic also between 25 and 50 per cent of the countries' quotas in the Fund;

It be provided that such drawings are not subject to any conditions;

The formula for calculating shortfalls be modified, taking as the basis the exports of each of the countries concerned either during three normal years or more preceding the payment of compensation;

Due consideration should be given to the means of refinancing debts incurred by developing countries during periods of persistent shortfalls in their export earnings, including a revision of current repurchase time limits.

12 (e). *International monetary system*

- (i) Developing countries should participate from the outset in all future discussions on international monetary reform and in the operation of the new arrangements.
- (ii) A link between aid and additional liquidity should be forged as urged by the developing countries.
- (iii) The developing countries are intimately concerned with the policies of international financial organizations relating to use of their resources, voting power and the improvement of machinery for balance of payments adjustments.

Item 13. *Problems of developing countries in regard to invisibles including shipping*

- (a) *Review of recent developments and long-term trends in the field of invisibles including shipping and international legislation thereon in the light of recommendations and other provisions of the Final Act of the first Conference*

The developing countries, reaffirming the competence of UNCTAD in shipping matters, ask:

(1) That the second session of the Conference should include "international shipping legislation" in the work programme of the Committee on Shipping which should use such technical and expert advice as may be necessary. This is urgently needed because existing maritime legislation, maritime trade practices and customs regulations were devised in a background of little maritime development of developing countries.

(2) That in accordance with the obligations undertaken by the international community, all developed countries should give full co-operation to the UNCTAD secretariat by providing complete information for studies being carried out by it in the field of shipping including freight rates, conference practices, adequacy of shipping services, etc.

(3) That these studies should take into account the implications of technical advances in shipping in respect of the organization and structure of conferences, cost levels, rate structure and techniques of port organization and operations as well as the implications of technical advances for the expansion of merchant marines of developing countries.

13 (b). *Level and structures of freight rates, conference practices and adequacy of shipping services — progress report on studies by the secretariat*

(1) Immediate steps are needed at the second session of the Conference to provide a basis for future action on freight rates which are not only continuing to rise but are still discriminatory and restrictive vis-à-vis developing countries. The developing countries recommend that, taking into account the interests of developing countries in shipping and in recognition of the need for placing the products of developing countries in an advantageous competitive position in world markets, developed countries should press freight conferences and shipowners:

- (i) To abolish the widespread practice of fixing special high freight rates for the transport of non-traditional products of developing countries;
- (ii) To lower freight rates applied to traditional exports of developing countries;

(2) Many discriminatory conference practices and abuses have remained without being eliminated since the UNCTAD I. The developing countries ask the second session of the Conference to adopt the following principles:

- (i) The right of developing countries to take part in any freight conference affecting their maritime traffic on an equal footing with shipowners of developed countries.
- (ii) Freight conferences to have representation in developing countries.
- (iii) Publication of information, including advance publication of any proposed changes on freight rates and other cargo arrangements by freight conferences affecting the foreign trade of developing countries.
- (3) Developing countries should intensify their co-operation amongst themselves, *inter alia*, on a regional basis to secure maximum benefits and better bargaining positions in the field of shipping, in particular regarding freight rates.

13 (c). *Shipping industry in developing countries including expansion of merchant marines of developing countries*

(1) Developing countries are gravely concerned at the growing disparity between the volume of their sea-borne trade and the growth of their merchant fleets.

(2) Developing countries affirm their unquestionable right to establish and to expand their merchant marines in the context of rising freight rates and the prospects of their foreign trade.

(3) Developed countries and international agencies should extend financial and technical assistance to developing countries for the establishment and expansion of national and regional merchant marines and related facilities. Such assistance should include the training of personnel in the economic, managerial, technical and other aspects of shipping. Financing arrangements should be in favour of national enterprises.

(4) All countries should recognize the right of developing countries to reserve to their merchant marines a fair share of the cargo transported to and from those countries.

(5) The regulations enacted by developing countries with a view to achieving the objectives aforementioned should not be considered justification for the adoption of retaliatory or other measures by the developed countries and their shipping conferences which may have the effect of rendering ineffective the measures taken by the developing countries.

(6) Developing countries should be enabled to make the maximum use of their shipbuilding industries and expand them.

13 (d). *Consultation machinery in shipping*

(1) Specific action should be taken by UNCTAD in collaboration with the United Nations Development Programme and the regional economic commissions to give effect to the resolution of the Committee on Shipping on the establishment of national and regional consultation machinery⁴ in various parts of the world in accordance with the provisions adopted.

(2) Financial and technical assistance should be given to developing countries for the establishment of such machinery where necessary.

13 (e). *Port improvements*

(1) Practical measures should be devised at the second session of the Conference for financing and giving technical assistance to developing countries for port development and allied works and programmes relating to port operation, taking into account technical advances in shipping.

(2) Measures should be devised at the second session for ensuring that savings achieved by the improvement of port facilities in shipping operations are utilized to the advantage of developing countries through reduction of freight rates in respect of the port achieving such improvement.

⁴ See *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 2, annex I.*

Insurance and re-insurance

(1) Developed countries should reduce the cost of reinsurance to developing countries.

(2) A substantial part of the technical reserves of the insurance and reinsurance companies should be retained in the countries where premium incomes arise for reinvestment in those countries.

(3) Developing countries should be technically and financially assisted in building up their own insurance and reinsurance facilities.

Tourism

(1) Developed countries and financing institutions should extend credits on easy terms to developing countries for promoting tourism.

(2) Developed countries and international credit institutions should make investments in infrastructure in tourism in developing countries.

(3) Passenger fares to developing countries should be concessional and attractive and other facilities should be provided in order to encourage tourist traffic.

Item 16. General review of the work of UNCTAD

(a) Activities of the organs of the Conference

(b) Technical assistance activities relating to trade, including training of technical and special staff of developing countries

This item could not be discussed by the Committee in depth. Developing countries are, however, convinced that UNCTAD should move from the declaratory to the operational stage and endeavour to achieve "practical and concrete results by means of negotiation aimed at securing the greatest measure of agreement" (General Assembly resolution 2206 (XXI)). UNCTAD should therefore concentrate on negotiating at New Delhi. All other aspects of these matters will have to be discussed at New Delhi.

Report of the Fourth Committee

1. The Fourth Committee was established by the Ministerial Meeting of the Group of 77 at its fourth plenary meeting, held on 13 October 1967, in accordance with rule 4 of the rules of procedure of the Ministerial Meeting. At the same meeting Mr. Ernesto Ramirez Solano (Mexico) was elected Chairman of the Committee.

2. At its first meeting, held on 16 October 1967, the Committee elected Mr. R. Loko (Dahomey) Vice-Chairman, and Mr. Mohamad H. Al-Atrash (Syria), Rapporteur.

3. The following items of the provisional agenda of the second session of the Conference were allocated to the Fourth Committee;

Item 9. Trends and problems in world trade and development

(a) Review of recent developments and long-term trends, implementation of the recommendations and other provisions of the Final Act of the first session of the Conference; consideration of further action;¹

(b) Steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development (see Annexes A.I.1, A.I.2 and A.I.3 of the Final Act of the first session of the Conference, 1964);

¹The purpose of sub-item (a) is to provide delegations with general factual information about the subject matter of the item. No general debate is expected since such a debate will take place under item 8.

(c) Trade relations among countries having different economic and social systems including problems of East-West trade, paying attention particularly to the trade interests of developing countries and taking into account the work in this field of other United Nations organs, including the regional economic commissions;

(d) Impact of the regional economic groupings of the developed countries on international trade including the trade of the developing countries;

(e) Consideration of measures leading to the improvement of the international division of labour;

(f) The world food problem — its relationship to international trade, export earnings and economic development of developing countries; measures to assist them to increase their food production and to improve the conditions for its distribution and marketing;

(g) Special problems of the land-locked countries;

(h) Transfer of technology, including know-how and patents.

Item 14. Trade expansion and economic integration among developing countries, measures to be taken by developing and developed countries — including regional, sub-regional and inter-regional arrangements

Item 15. Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development

4. The Committee had before it the following documents dealing with the subjects under consideration:

TD/6 and Supp.1-5	Trends and problems in world trade and development: the Kennedy Round — preliminary evaluation of results, with special reference to developing countries
MM.77/I/Misc.3	The Bangkok Declaration
MM.77/I/Misc.7	The Charter of Tequendama
MM.77/I/Misc.9	The African Declaration of Algiers
MM.77/I/4	Reference document of the Co-ordinating Committee on items 11 and 14 of the provisional agenda of the Ministerial Meeting of the Group of 77.
MM.77/I/4/Add.1	Trends and problems in world trade and development.

5. The Fourth Committee held five meetings from 16 to 23 October 1967.

6. The Committee decided not to consider sub-item (a) as similar sub-items and the other agenda items would be dealt with by the Drafting Committee.

7. The Committee submits the following recommendations to the Ministerial Meeting in the hope that they will be adopted unanimously:

Item 9. Trends and problems in world trade and development

(b) Steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development (see annexes A.I.1, A.I.2 and A.I.3 of the Final Act of UNCTAD, 1964)

The second session of the Conference should review the implementation of the principles governing international trade and policies conducive to development.

In compliance with recommendations A.I.1 and A.I.3 of the Final Act of the first session of the Conference which leave open the completion of these principles, the second session of the Conference may also elaborate new principles, while principles already adopted would not be re-examined in any case even from the point of view of form or substance.

9 (c). *Trade relations among countries having different economic and social systems including problems of East-West trade, paying attention particularly to the trade interests of developing countries and taking into account the work in this field of other United Nations organs including the regional economic commissions*

The expansion of trade between developed socialist countries of Eastern Europe and developed market-economy countries should not unfavourably affect the trading possibilities of developing countries but on the contrary should lead to a rising trade between them and the latter. In pursuance of this objective the socialist countries should provide in their economic development plans and trade policies, measures for accelerated increase of their imports of primary commodities originating from developing countries. They should also allot an increasing proportion of their total imports of manufactures and semi-manufactures to purchases from developing countries. They should also reaffirm the assurances given by them in the first session of the Conference that they will refrain from re-exporting the goods purchased from the developing countries unless it is with consent of the parties concerned.

It is recognized and declared that differences of social and economic system need not constitute an obstacle to trade.

It is recommended that socialist countries' trade with the developing countries should, so far as possible, benefit all developing countries and regions fairly.

Furthermore, socialist countries should adopt the necessary measures to reduce the gap between import and sales prices of products originating in developing countries in order to promote consumption of these commodities; the establishment in the import policies and trade programmes of socialist countries of margins of tolerance with regard to prices, delivery dates and other conditions relating to exports from developing countries would greatly contribute to the increase of trade between these countries and the socialist countries. It should be emphasized that the aid and credit extended by socialist countries for financing projects in developing countries should be adapted to the particular conditions of the countries concerned; and, where possible, provisions be made, at the request of the developing countries concerned, for its repayment by the export of the products of those or other projects. Such repayments would be facilitated for the countries concerned through the establishment of jointly agreed lists of goods to be exported by these countries to provide the amount necessary to meet periodical instalment payments of the loans.

In case of contracts concluded between the enterprises in the developing countries and the relevant agencies in the socialist countries, due attention should be given to the periods covered by those contracts in order to enable the enterprises in the countries concerned to plan and execute with greater efficiency their investment, production and delivery programmes.

9 (d). *Impact of the regional economic groupings of the developed countries on international trade including the trade of the developing countries*

Regional economic groupings of developed countries should avoid discriminating against the export trade of developing countries in manufactures, semi-manufactures and in primary products, particularly temperate agricultural commodities.

The expansion of these groupings should not increase the incidence of any discrimination.

It is recommended that regional economic groupings of developed countries should take measures to ensure freer access for exports from developing countries.

9 (e). *Consideration of measures leading to the improvement of the international division of labour*

A new and dynamic international division of labour should be applied whereby developed countries avoid taking protective measures affecting the agricultural exports of developing countries in fields in which these are more efficient and duplicating investments already made or about to be made by developing countries in industry. In this case it should be agreed that industrialization in developing countries should be based on the processing of available resources which may require, as the case may be, simpler or more advanced technology. The diversification of the production of developing countries should also be carried out within a framework of a division of labour that would enable the greatest flow of trade among developing countries within regional and sub-regional levels.

9 (f). *The world food problem, its relationship to international trade, export earnings and economic development of developing countries; measures to assist them to increase their food production and to improve the conditions for its distribution and marketing*

The Committee had a fruitful exchange of views on this item of the agenda. However, in view of the fact that this item was only introduced at the fifth session of the Trade and Development Board and that the regional groups of Asia, Africa and Latin America did not indicate their positions thereon in the documents submitted to the Ministerial Meeting of the Group of 77, the Committee did not take a final position on it. It was agreed that consultations would continue in the Group of 77 with a view to adopting a common position on this subject by the beginning of the second session of the Conference.

9 (g). *Special problems of the land-locked countries*

The Committee recommends the establishment of a group of experts in order to carry out a comprehensive examination of the special problems involved in the promotion of trade and economic development of the land-locked developing countries, with special reference to the high costs involved in the execution of their development programmes and trade expansion programmes. In this connexion, adequate financial and technical assistance should be extended by international financial institutions to minimize the cost of the factors involved.

The Committee also recommends that the international financing agencies should give priority to such technical and financial assistance programmes as the land-locked developing countries may propose in connexion with the special problems of their trade and development and, in particular, with the development and improvement of their transport infrastructure.

9 (h). *Transfer of technology, including know-how and patents*

The transfer of technology including know-how and patents from developed to developing countries is of paramount importance for the economic progress of the latter. However, the burden of the payment of royalties and dues thereon has adverse effects on the balance of payments of developing countries.

Developed countries should encourage and promote the transfer of knowledge and technology to developing countries, particularly industrial patents, licences and related know-how, under the most favourable terms and conditions so as to enable products manufactured in developing countries to compete effectively in world markets and to limit the outflow of invisibles caused by the payment of dues and royalties.

Developed countries should also ensure the elimination of restrictive practices, particularly those relating to market distribution and price-fixing adopted by enterprises in developed countries in granting licences for the use of patents and trade-marks in developing countries.

Item 14. Trade expansion and economic integration among developing countries, measures to be taken by developing and developed countries — including regional, sub-regional and inter-regional arrangements

The developing countries reaffirm that trade expansion and economic co-operation among themselves is an important element of a global strategy for development and they are therefore determined to make their own contribution toward the fulfilment of the objectives of the second session of the Conference by stepping up their efforts in this respect. Such action can in no way be regarded as a substitute for larger and more remunerative exports to developed countries or for a greater contribution by the latter countries. However, trade expansion and economic integration among developing countries raise special problems and difficulties as compared with similar processes among developed countries. Action with regard to trade barriers will therefore not be enough but must be combined with suitable measures in other fields, in particular investment and payments. In this connexion, the availability of appropriate external financing and technical assistance would be an important contribution for enabling developing countries to achieve more rapid progress in trade expansion and integration efforts. This international support should, however, be granted in a manner that would fully respect the determination of developing countries to follow their own methods of approach when expanding trade and advancing towards integration among themselves.

Developing countries will inform the second session of the Conference of the efforts they are making or planning to make, in order to increase their trade and strengthen their economic co-operation, particularly in the field of regional and sub-regional co-operation.

Since the joint efforts of developing countries cannot be fully successful without financial and technical aid from developed countries, the latter should at the same time make a formal declaration of support for the developing countries' efforts at co-operation and integration, specifying the nature and importance of the aid they are prepared to render to those efforts.

At the second session of the Conference a special working group should be set up to study the practical problem related to:

- (a) Trade expansion, economic co-operation and integration among the developing countries, including consideration of the special problems of the least developed countries;
- (b) The establishment or improvement of multilateral payments systems between developing countries; and
- (c) The practical measures for the implementation of an international policy which would support these joint efforts with particular reference to financial and technical assistance.

Regional or sub-regional groups of developing countries should be invited to participate in the working group.

These subjects should also be studied and reported upon by any body that the Group of 77 may decide to set up after the Algiers Conference.

The second session of the Conference should establish a permanent Committee to study questions relating to trade expansion and economic integration among developing countries, with particular reference to ways and means of enabling developing countries participating in such groupings to derive equitable benefits therefrom.

This Committee should, in particular, undertake the following activities:

- (a) The study, centralization and dissemination of information and data on the experience acquired by developing countries in dealing with specific problems of sub-regional, regional or inter-regional co-operation and integration, and the organization of symposia on such problems for national and regional officials;
- (b) Studies relating to the possibility of establishing export and import groupings by commodity, or by groups of commodities, among developing countries.

(c) Studies for improving the infrastructure of transport and communications among developing countries.

(d) Study the possibility of establishing national and regional information and trade promotion centres in developing countries.

It would be useful to establish, under the auspices of UNCTAD, and of the appropriate specialized agencies, a special centre to train experts, particularly from developing countries in co-operation and integration among developing countries.

The international information and trade promotion centre which is being established under the sponsorship of UNCTAD and GATT should give due importance to the question of promoting exports among developing countries.

Item 15. Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development

Owing to the varying stages of economic development existing among the developing countries and to the varying factors responsible for their development, the trade and financial policy measures required to accelerate the pace of economic development would differ from one developing country to another. It is therefore essential to devise a global strategy of convergent measures in order to enable the least developed among the developing countries to derive equitable benefits so that all the developing countries would gain comparable results from international economic co-operation of member countries of UNCTAD, particularly that with the developed countries.

The individual measures recommended by the first session of the Conference and those that would be recommended by the second session should be viewed as components of an integrated policy of co-operation for achieving the over-all objectives of trade and expansion and accelerated development. All these measures are interrelated.

While the appropriate mix of the convergent measures required for the least developed countries cannot be determined at this stage, these measures may be devised from the spheres of:

- (1) Commodity policy, including measures of financial and technical assistance for diversification programmes;
- (2) Preferences in trade of manufactures and semi-manufactures;
- (3) Development finance;
- (4) Regional economic integration;
- (5) Invisibles;
- (6) Trade promotion.

With regard to commodity policy the following actions should be recommended to be taken by the second session of the Conference:

Special consideration of the needs of the least developed countries in relaxing tariff and non-tariff barriers affecting access to markets both in tropical and temperate products;

Temporary refunds, at least in part, of revenue charges and duties on commodities of particular interest to least developed countries.

With reference to manufactures and semi-manufactures the recommendation on the general scheme of preferences contained in document MM.77/L/16 should be taken into consideration and adopted. This should take place independently of the principle in virtue of which substantial advantages may be granted to the least developed among the developing countries under systems of regional or sub-regional integration; while the latter, where appropriate, attain perfection in the matter of customs duties.

For the purpose of designing special measures for the least developed countries it does not seem to be desirable or convenient to attempt an abstract general definition of such countries nor, at this stage, an *a priori* strict listing of such countries applicable to

specific measures considered. Hence, this could be better undertaken, in due course, in a form agreed upon by the developing countries.

In order to give effect to the provisions of this report, the Ministerial Meeting decides to establish a working group. The function of the working group shall be to make a special study of the arrangements to be made on the matters referred to in the third paragraph under item 15 above.

Composition of the working group: it is agreed that each regional group shall be represented on this group by five members, namely:

African Group — Algeria, Ethiopia, Liberia, Nigeria, United Republic of Tanzania

Asian Group — Ceylon, Indonesia, Iran, Iraq, Pakistan

Latin American Group — Argentina, Bolivia, Brazil, Colombia, Guatemala

The working group shall meet at Geneva on or about 1 December 1967. It shall submit its report to the countries members of the Group of 77 not later than 15 January 1968.

ANNEX II

Report of the Working Group of Fifteen of the Group of 77 on special measures to be taken in favour of the least developed among the developing countries (Held at Geneva, from 1 to 14 December 1967)

1. The Working Group was established in pursuance of the provisions of section G of the Charter of Algiers, adopted by the Ministerial Meeting of the Group of 77 on 24 October 1967.

2. At its first meeting held on 1 December 1967, the Group elected Mr. Akhtar Mahmood (Pakistan), Chairman, and Messrs. S. Rouanet (Brazil) and Bekele Endeshaw (Ethiopia), Vice-Chairmen.

3. The following countries participated in the Working Group namely: Algeria, Argentina, Bolivia, Brazil, Ceylon, Colombia, Ethiopia, Guatemala, Indonesia, Iraq, Nigeria, Pakistan and the United Republic of Tanzania. Iran and Liberia were not present. Chile, El Salvador, India, the Philippines, Peru and Yugoslavia participated as observers.

4. The Group adopted the following agenda:

I. General observations

II. Considerations of special measures in favour of the least developed among the developing countries:

1. Commodity policy
2. Manufactures and semi-manufactures
3. Development finance
4. Regional economic integration
5. Invisibles
6. Trade promotion
7. Trade with socialist countries.

5. The Group worked on the basis of the following assumptions:

(a) Despite differences of income levels and economic and social structure, all developing countries are united by a common denominator, which is the insufficiency of their rate of growth as compared to needs, and external vulnerability of their economies.

(b) The discussion of measures for helping the least developed countries should be conducted within the framework of the unity of the Group of 77 to ensure equitable sharing of the benefits to be derived from international economic co-operation of member States of UNCTAD, particularly that with the developed countries.

6. The Group agreed that, in dealing with the question of the least developed among developing countries, the objective should not be to create discrimination among developing countries but to ensure that the least developed countries obtained due benefits so that all developing countries gained equitable results from international co-operation of member States of UNCTAD, particularly that with the developed countries.

7. In connexion with the question of identifying the least developed countries, the Group agreed it was not in its terms of reference to attempt a definition of the least developed countries or to draw up a formal list of these countries. Nevertheless, during the general discussion that preceded the other items of the agenda, the following possibilities were mentioned:

(a) A general list of developing countries could be established on the basis of general indicators and objective criteria;

(b) Specific approach which would qualify a country as least developed with regard to a specific policy measure. In each case, the specific policy-linked measure would point to some major identifying criterion which may be supplemented by a set of discriminant indicators bearing on the policy issue involved;

(c) A general list could be established, as in (a) above, through decisions of the regional groups;

(d) Any implementing machinery that may be set up would, upon request from a country wishing to be considered as a least developed country in a particular context, examine the claim and upon agreement act accordingly. To this end the implementing machinery would examine the situation, on a case-by-case basis, and decide first, whether the claim for special measures is justified, and secondly, what measures, among those contemplated in this report, are applicable when dealing with the situation.

8. The Group decided, in pursuance of the provisions of section G of the Charter of Algiers, to submit the report through its Chairman to the Governments of the member States of the Group of 77 for their consideration. The Group expressed the hope that this report would be considered by the Group of 77 at New Delhi.

9. The Working Group expressed its appreciation of the assistance given to it by the UNCTAD secretariat and in particular by Mr. Mikael Imru and Mr. A. Maglaque.

Item 1. Commodity Policy

(a) Trade liberalization

(i) In selecting products for arrangements envisaged under part two, A.2 (d) (i) of the Charter of Algiers, special attention should be given to commodities of particular interest to the least developed countries.¹

(ii) Special consideration should be given to the need of the least developed countries in relaxing tariff and non-tariff barriers affecting access to the markets both in tropical and temperate products.

(iii) In implementing the measures recommended in part two, A.2 (b) (iii) of the Charter of Algiers, refunds, at least in part, of revenue charges and duties on commodities of particular interest to the least developed countries are also recommended.

¹ "Where products of developing countries compete with the domestic production of developed countries, the latter should allocate a defined percentage of their consumption of such products to developing countries; in any case, a substantial share of any increase in domestic demand for primary commodities in the developed countries should be reserved for the output of the developing countries. The allocation should be arrived at on a country-by-country and commodity-by-commodity basis, through multilateral negotiations; developed countries should agree to establish maximum ratios of domestic production so as to guarantee to developing countries adequate conditions of access for their exports."

(b) *Commodity arrangements*

(i) In selecting products for commodity arrangements envisaged under part two, A.1 of the Charter of Algiers, as far as possible priority should be given to commodities of particular interest to the least developed countries.

(ii) In the preparation and negotiation or re-negotiation of international commodity agreements and arrangements, appropriate liberal treatment should be accorded to the least developed countries. To this end, consideration should be given to the need of retaining flexibility in the use of the techniques adopted in order: *a.* to consolidate and increase market opportunities to efficient producers among developing countries; *b.* to enable small trading developing countries and countries progressing from a subsistence to a cash economy to attain economic levels of production for the purpose of economic growth; and *c.* not to obstruct access to the market for potential producers and producers heavily dependent on the export of the commodity in question from developing countries. In applying all these considerations, account should be taken of the trade needs of traditional producers among developing countries, and the capacity of the market to absorb new production.

(iii) Financial and technical assistance relating to production and diversification including any funds for such purposes to be set up under international commodity agreements should give greater attention to the needs of the least developed countries, taking into account the capacity of the market to absorb new production and, as appropriate, the objectives of the international agreement concerned.

(iv) In the sharing of costs and in the pre-financing arrangements envisaged under part two, A.1 (b) of the Charter of Algiers, special arrangements should be made including the granting of "soft loans", taking into account the objectives and the particular characteristics of each agreement, by international financial agencies and governmental agencies of developed countries, in order to ease the burden on the least developed countries.

(v) Developed countries might divert larger amounts of their resources towards finding new uses to products of particular interest to the least developed countries facing a declining market.

(vi) In implementing the provisions of part two, A.2 (e) of the Charter of Algiers, adequate measures should be taken to safeguard the interests of the least developed among the developing countries.

Item 2. Manufactures and semi-manufactures

The machinery envisaged in part two, B.1 of the Charter of Algiers should assess, at regular intervals, the advantages accruing to all developing countries under the system and the question of the duration of the scheme for the least developed countries. In the light of this review, appropriate special measures consistent with the objective of expanding trade opportunities to all developing countries as envisaged in part two, B.1 of the Charter of Algiers and specific commitments for technical and financial assistance should be taken in favour of the least developed countries which were not benefiting sufficiently under the system.

The flexibility of the time limits envisaged in the scheme of general preferences should enable the least developed countries to reap comparable advantages from the scheme.

Item 3. Development finance and technical assistance

(i) Grants for pre-investment and feasibility studies should be enlarged and the least developed countries be given greater access to these funds.

(ii) Least developed countries should be given special technical and financial assistance for economic and resource surveys, formulation of development plans including the identification of priorities within these plans, and the development of specific programmes and projects. In this respect the United Nations Development Programme

and the United Nations Industrial Development Organization should accelerate their assistance to the least developed countries in seeking out viable projects and promoting their financing by international financial institutions.

(iii) The terms of the programmes — preferably inter-governmental — of assistance provided by the developed countries to the least developed countries for infrastructure, educational and health projects should be generous in respect of interest, repayments and amortization periods.

(iv) As far as possible, the financial co-operation extended by the developed countries and international financing agencies should cover investments for comprehensive development programmes in the least developed countries, without prejudice to the financing provided for the execution of specific projects.

(v) The terms and conditions of development loans and supplementary finance, including interest rates and repayment periods, should be adapted to the particular needs of the least developed countries.

(vi) The developed countries should enlarge the resources of regional financial institutions to enable them to give adequate attention in their lending operations and technical assistance activities to the development needs of the least developed countries in their regions.

(vii) The volume of development loans and supplementary financial assistance provided to the least developed countries should be enlarged to enable them to establish adequate infrastructure and export-oriented industries.

(viii) Longer-term programme of technical assistance linked to the development plans of the least developed countries should be established.

(ix) Within the policy of securing a general relaxation of the financial participation of developing countries in technical assistance projects, due consideration should be given to the particular problems of the least developed countries.

Item 4. Regional economic integration

The special working group mentioned in part two, F (e) of the Charter of Algiers, should study all possible ways and means of assisting the least developed among developing countries to derive comparable benefits from schemes of regional integration.

The Group recognizes that the problems involved in regional economic groupings, and the progress made in the formation of such groupings, differ from one area to another. It therefore considers that the special measures to be taken in favour of the least developed countries must be conceived in the light of the distinct processes of regional integration and according to the juridical and institutional characteristics in various areas.

Item 5. Invisibles

Special consideration should be given to the needs of the least developed countries relating to transportation and communication systems, tourism and insurance.

Item 6. Trade promotion

(i) Special attention should be paid to the needs of the least developed countries to improve the efficiency and quality of their primary production for export as well as marketing techniques in order to meet the competitive requirements of world markets.

(ii) Developed countries — when devising specific promotional measures — should pay adequate attention to products of interest to the least developed countries.

(iii) Special attention should also be given to the promotion of the trade of the least developed countries in processed commodities and manufactured products.

Item 7. Trade with socialist countries

(i) The socialist countries should participate in the above measures and contribute to their results. In drawing up long-term economic plans and in concluding long-term agreements and contracts, they

should pay full attention to the needs of the least developed countries.

(ii) The least developed countries should be assisted by the promotion of the consumption and imports of products of particular interest to them.

(iii) In concluding long-term economic co-operation agreements with the least developed countries, the socialist countries should give consideration to the extension of financial assistance on concessional terms, including the repayment of credits in terms of imports from these countries.

Summary statement of financial implications of actions
of the second session of the Conference *

[Original text: English]
[27 March 1968]

1. In accordance with rule 32 of the rules of procedure of the Conference, the relevant Committee or Working Group has been advised concerning the financial implications of draft resolutions under its consideration.

2. The purpose of this document is to summarize for the Conference the financial implications of the resolutions it adopted and to indicate, as far as feasible, the potential financial implications of the items which it has referred to the Trade and Development Board for further action or consideration. It does not cover the financial implications of actions that may be taken on the first and second items of the agenda of its 78th plenary meeting. These will be covered by an addendum to this document, if necessary.

3. No mention has been made of the many new studies called for which will be carried out by the established staff and the credit for consultants. However, the establishment of new bodies has been noted in all cases, including those covered by the provision in the 1968 budget and the 1969 budget estimates for sessions of expert and inter-governmental bodies.

COMMODITY PROBLEMS AND POLICIES
(Agenda item 10)

(First Committee)

The plenary at its 77th meeting adopted proposals contained in part one of document TD/L.29 and Corr. 1 which have financial implications as follows:

Paragraph 1 recommends that the United Nations Conference on Cocoa should be reconvened immediately after the present session of the United Nations Conference on Trade and Development and, if necessary, preceded by consultations. In any case, the Conference should be convened not later than the end of June 1968 and preferably before the end of May.

It should be noted that Conference facilities would not be available at either Geneva or New York during most of June 1968. Therefore, a Conference in June would have to be held in another city with consequent financial implications for the transportation and subsistence of staff, rental of premises, communications, etc., unless the Conference were to be invited by a host Government which assumed the liability for these extra costs to the United Nations. If the Conference were to be held on United Nations premises at Geneva or New York there would

not be any financial implications, as provision for such a Conference exists in the 1968 budget.

Paragraph 3 (ii) recommends that the Secretary-General of UNCTAD and the Director General of the Food and Agriculture Organization of the United Nations, in consultation with Governments, consider the necessity to set up not later than the end of 1968 an Inter-Governmental Consultative Committee on Oilseeds, Oils and Fats. In view of the preliminary work already done by the Study Group on Oilseeds, Oils and Fats, it is assumed that the proposed committee would require a session of only one week with two meetings a day and 50 pages of documentation. A Group of this scope could be provided for under the 1968 budget provision for servicing expert or inter-governmental group meetings.

Paragraph 7 requests the Secretary-General of UNCTAD in the case of those commodities not covered by international bodies (iron-ore, tobacco, manganese ore, mica, pepper, shellac and phosphates), to make such studies as may be appropriate and to arrange inter-governmental consultations which he may consider necessary to examine these commodities. On the assumption that each of the seven commodities will require the equivalent of a one-week session with two meetings a day, 100 pages of pre- and in-session documentation and no summary records, the cost would be \$12,000 a commodity or a total of \$84,000 for conference servicing. It is also assumed that, as necessary, these meetings would be followed up in 1969 at the same cost. The substantive work for the meetings would be handled by regular staff.

EXPANSION AND DIVERSIFICATION OF EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES OF DEVELOPING COUNTRIES (Agenda item 11)

(Second Committee)

Agenda item 11 (b)

The draft resolution contained in document TD/L.32, adopted by the plenary at its 77th meeting, calls for the establishment of a Special Committee on Preferences, as a subsidiary organ of the Trade and Development Board, to enable all countries concerned to participate in the necessary consultations. The first meeting of the Special Committee is to be held in November 1968 to consider the progress made by that time and the second in the first half of 1969 so that the Committee can draw up its final report to the Board. If it is assumed that this Committee will have the same scope and requirements as a main committee of the Board, the cost of meeting services would be \$125,000 in both 1968 and 1969. However, it is presumed that the existing Group on Preferences

* This document was circulated to the Conference under symbol TD/90 and Add.1.

would be absorbed into the new Special Committee with an annual saving of \$32,000 in respect of the meeting services that would have been provided for that Group in 1968 and 1969.

The preparation of the background material for the Special Committee and other work that will be required by it will mean that the staff now dealing with preferences will have to be supplemented by two professionals (P.5 and P.3), two consultants and two General Service staff members at a cost of \$94,000 in 1969 and \$56,000 in 1968 in view of the delay in recruitment.

The plenary at its 78th meeting will consider the draft resolutions on agenda items 11 (c) and 11 (d) as contained in annexes II, IV and III of document TD/88 and Corr.1 and 3. Should these resolutions be adopted the financial implications would be as set forth in document TD/L.15, paragraphs 2, 3 and 4 respectively.¹

¹ Paragraphs 2, 3 and 4 of document TD/L.15 read as follows:

Paragraph 110 and annex II of the report of the Second Committee (TD/88 and Corr.1 and 3)

2. *Comprehensive study of restrictive business practices (TD/II/C.2/L.7)*

The draft resolution requests the Secretary-General of UNCTAD to convene a group of non-governmental experts to assist him in preparing a comprehensive study on the question of restrictive business practices adopted by the enterprises of developed countries with special reference to the harmful effects on the export interests of developing countries and to the question of the establishment of international investigation and consultation procedures. On the assumption that the group would be composed of ten to twelve members who would meet for a period of two weeks without summary records, the cost of \$10,000 for their travel and subsistence would be covered by the provision for *ad hoc* expert groups in the budget for 1968.

However the preparation of the study for the Group as detailed in paragraph 2 of the draft resolution and the future action that should be taken in accordance with paragraph 3 for the limitation and eventual abolition of restrictive business practices would require the services of two professionals (P.4 and P.3) and one General Service staff member at an annual cost of \$42,000 with a cost of \$25,000 in 1968 in view of delayed recruitment.

Paragraph 110 and annex IV of the report of the Second Committee (TD/88 and Corr.1 and 3)

3. *Non-tariff barriers (TD/II/C.2/L.9 and Corr.2)*

The draft resolution calls for the establishment of a group on non-tariff barriers, to provide a forum for negotiations to eliminate non-tariff barriers to the export of manufactures and semi-manufactures, including processed and semi-processed primary products, from developing countries. It is assumed that the group would meet for a two-week session in 1968 and for two similar sessions in 1969 and that its meeting service requirements would be similar to those of the Group on Preferences, being \$32,000 in 1968 and \$64,000 in 1969.

The substantive servicing of the group would require the collection of data and a study of the seven principal functions of the group with a view to drawing up a specific programme, by product, for the progressive elimination of quantitative restrictions and other non-tariff barriers. That work would require one professional (P.4) at an annual cost of \$20,000 and \$12,000 in 1968 in view of delayed recruitment.

Paragraph 128 and annex III of the report of the Second Committee (TD/88 and Corr.1 and 3)

4. *Comprehensive programme for export promotion (TD/II/C.2/L.8)*

The draft resolution recommends that the Secretary-General of UNCTAD, in consultation with the General Agreement on Tariffs and Trade and the United Nations Industrial Development Organization (UNIDO), invite a group of experts for the preparation

GROWTH, DEVELOPMENT FINANCE AND AID (SYNCHRONIZATION OF INTERNATIONAL AND NATIONAL POLICIES)
(Agenda item 12)

(Third Committee)

Should the plenary at its 78th meeting adopt all or some of the texts contained in document TD/L.28 and Corr.2/Rev.1, the financial implications thereof would be found in document TD/II/C.3/L.31.²

of a comprehensive programme of export promotion which would outline in particular the specific programmes to be implemented by the International Trade Centre. It is assumed that the resources for the operational programmes to be carried out by the Centre would be provided in large part by the United Nations Development Programme. On the assumption that the group would be made up of ten to twelve experts who would meet for a period of two weeks without summary records, the cost of \$10,000 for subsistence and travel of the members would be covered by the provision in the 1968 budget for *ad hoc* expert groups.

Two professionals (P.5 and P.3) and one General Service staff member are required in UNCTAD to prepare for the meeting of the group and to co-ordinate the implementation of the programme with GATT, the International Trade Centre and UNIDO at an annual cost of \$47,000 and a cost of \$28,000 in 1968 in view of delayed recruitment.

² Document TD/II/C.3/L.31 reads as follows:

1. *Outflow of financial resources from developing countries (TD/II/C.3/L.13)*

The draft resolution requests a study on the ways of curbing the outflow of resources from developing countries and the submission of proposals to the Board at its eighth session. The study could be carried out with existing resources.

2. *Terms and conditions of aid (TD/II/C.3/L.16)*

The draft resolution asks for the establishment in 1968 of an inter-governmental group to deal with commercial credits including supplier's credits. As the group would be composed of Government representatives there would not be any costs for travel and subsistence and the conference servicing costs for a session without summary records would be covered by credits in the 1968 budget and the 1969 budget estimates in respect of inter-governmental and expert groups.

The resolution also calls for studies to be undertaken in consultation with IBRD which would be carried out by regular staff.

3. *Increasing the flow of international and private capital (TD/II/C.3/L.23/Rev.1)*

Paragraph 1 of the draft resolution requests the Secretary-General of the United Nations, in carrying out the studies cited in paragraph 1 and currently under way in response to General Assembly resolution 2091 (XX) and Economic and Social Council resolutions 1201 (XLII) and 1286 (XLIII), to keep in mind fourteen enumerated problems. These problems are important aspects of the studies now in progress and have been taken into consideration in their planning and execution.

If, however, the purpose of paragraph 1 is to secure comprehensive coverage of the experience of Governments and investors with regard to each of the problems, considerable additional work would be involved requiring one additional professional at P.4 level (\$20,000), the help of consultants (\$30,000) and travel of staff (\$4,000). However, this expenditure in 1968 would be devoted in part to evolving plans for the relevant studies which, in view of their number and complexity, would require added resources in 1969 and future years that could be assessed only on completion of specific plans for the work, particularly that relating to field investigation.

Paragraph 2 of the draft resolution requests the Secretary-General in his studies on private investment flows and reverse flows to pay detailed attention to the gross flow of private capital to developing

(Continued on next page.)

PROBLEMS OF DEVELOPING COUNTRIES IN REGARD TO
INVISIBLES INCLUDING SHIPPING (Agenda item 13)

(Fourth Committee)

Agenda item 13 (a)

Resolution 5(II) considers it is desirable that the Review of Current and Long Term Aspects of Maritime Transport, published annually for the Committee on Shipping, be as up-to-date as possible. The Review cannot appear before February each year because many shipping statistics are compiled on an annual basis and the resolution therefore suggests that the Board may wish to arrange for the regular sessions of the Committee on Shipping to be held not earlier than March of each year.

(a) The consequential postponement of the third session of the Committee on Shipping from December 1968 to 1969 would result in a saving of \$125,000 in 1968 in respect of language and documents services.

(b) The recurrent publication of the Review would require an annual expenditure of \$5,000 for printing on the assumption that it would have an average length of sixty pages. This amount has been included in the draft

budget estimates for 1969 pending approval of the Conference.

Agenda item 13 (a)

The draft resolution contained in document TD/L.27, as adopted by the plenary at its 76th meeting, recommends that the Trade and Development Board instruct the Committee on Shipping to create a Working Group on International Shipping Legislation from among member States to carry out a specified programme of work. On the assumption that the Working Group would be made up of some twelve experts nominated by their Governments, who would meet annually for a period of three weeks commencing in 1969, the costs for meetings services would be covered by the provision in the 1969 estimates for expert and inter-governmental groups.

The draft resolution further requests the UNCTAD secretariat to undertake immediate and intensive studies on the subjects mentioned in paragraphs 1 (a) (ii) and 1 (a) (iii) as background material for the Working Group and to arrange for a review of progress made by member States in the implementation of such international legislation as may result from the work of the Committee

(Continued.)

countries and the outflow of funds from these countries. This request would be met, without the need for additional resources, in the course of carrying out the current studies.

Paragraph 3 of the draft resolution requests the Secretary-General to undertake a study of the economic effects of foreign investment. It is understood that the study would have to take into account not merely the direct balance-of-payments effects of private investment but also the indirect effects on the economies of developing countries, including effects on their exports and imports. This type of study can only be conducted for individual countries in the field. This would require a team of consultants to be employed during 1968 and 1969 to carry out a pilot project in respect of one country which would then be extended to other countries. The team, consisting of the project director and four assistants with secretarial and data processing help, is estimated to cost \$80,000, of which \$30,000 would be required in 1968 and the balance in 1969.

It would also be necessary to make provision for one additional professional (P.4) to organize and evaluate the work of the consultants as well as to obtain the information available from other agencies, national and international, and prepare the requisite conclusions. The cost would be \$12,000 in 1968 and \$20,000 in 1969.

4. Support of world public opinion (TD/II/C.3/L.26)

The draft resolution recommends that a small group of highly qualified experts be established as soon as possible to study and recommend measures on how to enlist the support of world public opinion in favour of policies and objectives to be pursued for increasing the economic prosperity of the world community. On the assumption that such a group would have approximately twelve members and meet for a period of two weeks the costs of their travel and subsistence, estimated at \$10,000 a session, would be met from the provision for expert and inter-governmental groups in the 1968 budget and the 1969 budget estimates.

SUMMARY OF FINANCIAL IMPLICATIONS

Draft resolution TD/II/C.3	Subject	1968	1969
		(U.S. dollars)	
L.13	Study on curbing the outflow of financial resources from developing countries	a	b
L.16	Establishment of an inter-governmental group to deal with commercial credits and studies on that subject	a	b
L.23/Rev.1 and Corr.1 and Rev.1/Add.1	Increasing the flow of international public and private capital:		
	Studies requested under paragraph 1	54,000	c
	Studies requested under paragraph 2	a	b
	Studies requested under paragraph 3		
	Consultants	30,000	50,000
	Staff P.4	12,000	20,000
L.26	Establishment of an expert group to enlist the support of world public opinion in favour of policies for economic prosperity (\$10,000)	a	b

a Covered by the 1968 budget.

b Covered by the 1969 budget estimates.

c Costs in 1969 are to be assessed in the light of further study of the problem during 1968. However, it should be noted that there would be no extra costs if studies being carried out currently are considered to meet the purposes of the draft resolution.

on Shipping in this field. If significant work is to be begun on a programme of such broad scope as the foregoing, it would be necessary to recruit a highly specialized staff consisting of five professionals (one P.5, two P.4, two P.3) assisted by three General Service staff members at an annual cost of \$117,000 beginning in 1969.

TRENDS AND PROBLEMS IN WORLD TRADE
AND DEVELOPMENT (Agenda item 9)

(Fifth Committee)

Agenda item 9 (c)

The draft resolution contained in document TD/L.25/Rev.1, as approved by the plenary at its 76th meeting, requests the Secretary-General of UNCTAD to convene a group on multilateral payments arrangements not later than the first quarter of 1969, consisting of experts from interested countries, to examine the suitability of different forms of multilateral payments arrangements between developing and socialist countries. If it is assumed that the Group would be composed of some ten Government representatives who would meet for a period of about two weeks with no summary records and a limited amount of documents, the cost for meeting services would be covered by the provision for expert and inter-governmental groups in the budget for 1968 or the estimates for 1969.

The requested study on the problems involved in the establishment of different forms of multilateral payments arrangements between developing and socialist countries would be carried out by the regular staff of UNCTAD.

The draft resolution also requests the Trade and Development Board to convene periodically a sessional committee concerning the expansion of East-West trade and the expansion of trade between socialist countries and developing countries. The cost of servicing the meetings of the sessional committees would be covered by the budget provision for the session of the Board during which the sessional committee would take place.

Agenda item 9 (b)

The draft resolution contained in annex I to document TD/85, adopted by the plenary at its 77th meeting, requests the Trade and Development Board to establish appropriate machinery for consultation on, and settlement of, problems pertaining to the implementation or non-implementation of existing or new principles governing international trade relations and trade policies conducive to development. Until the Trade and Development Board determines the nature of the appropriate machinery to be established it is not feasible to assess the financial implications of the draft resolution. However, in general terms, the cost of a small inter-governmental group of a dozen members meeting for a period of two weeks would be covered by the relevant budget provision, but the costs for a larger body requiring more extensive conference services would not.

TRANSFER OF TECHNOLOGY, INCLUDING KNOW-HOW
AND PATENTS (Agenda item 9 (h))

(Working Group I)

The draft resolution contained in document TD/L.24 was transmitted to the Trade and Development Board by the 75th plenary meeting.

The draft resolution recommends that the Trade and Development Board, after obtaining the views of the Economic and Social Council, consider at its seventh session the establishment of an inter-governmental committee to examine the over-all question of "Transfer of Technology" to developing countries with the function of reviewing and studying relevant questions.

If the Council and the Board decide to give effect to the recommendations of the Conference there would be financial implications in respect of substantive and meetings services to be provided for the new inter-governmental committee. These financial implications would be presented to the Board at its seventh session in accordance with the specific decision taken at that time.

TRADE EXPANSION AND ECONOMIC INTEGRATION AMONG
DEVELOPING COUNTRIES, MEASURES TO BE TAKEN BY
DEVELOPING AND DEVELOPED COUNTRIES, INCLUDING
REGIONAL, SUB-REGIONAL AND INTERREGIONAL ARRANGEMENTS
(Agenda item 14)

(Working Group II)

The draft concerted declaration contained in document TD/L.33, adopted by the plenary at its 77th meeting, agrees (section V, 2) that appropriate institutional arrangements for continuing work on trade expansion and economic integration among developing countries on a permanent basis within the UNCTAD framework should be set up before the end of 1968. The Trade and Development Board is requested to examine this question and to determine the necessary arrangements. Until the Board takes a decision on this matter it is not feasible to assess the financial implications which might arise in connexion with conference services to be provided for the new institutional arrangements and for their substantive servicing.

SPECIAL PROBLEMS OF THE LAND-LOCKED COUNTRIES
(Agenda item 9 (g))

(Working Group III)

Resolution 11(II), adopted at the 71st plenary meeting, requests the Secretary-General of UNCTAD, in consultation with the United Nations Under Secretary-General for Economic and Social Affairs, to establish a group of experts to examine and report on the problems involved in the promotion of trade and economic development of land-locked developing countries. On the assumption that this group would be composed of six to twelve experts who would meet for a period of two to four weeks, the cost of \$10,000 for travel and subsistence would be covered by the provision for expert and inter-governmental groups in the budget.

The resolution further requires that a special study be made of the possible ways by which the adverse effects of higher transportation costs of land-locked developing countries might be minimized and indicates that background material to be prepared for the Group shall draw in particular on the Department of Economic and Social Affairs and the regional economic commissions. The work, not provided for in existing programmes, will

require the services of a consultant for a period of six months at a cost of \$10,000. He will help to draft the study, service the group and co-ordinate the efforts of the United Nations bodies in producing the relevant background material.

GENERAL REVIEW OF THE WORK OF UNCTAD

(Agenda item 16 (a))

The 77th plenary meeting took note of the draft resolution contained in document TD/L.30 and Corr.1 and remitted it with the draft resolution contained in TD/L.34 to the seventh session of the Trade and Development Board for study and decision, it being understood that the secretariat would prepare a working paper for consideration of this matter. Draft resolution TD/L.30 and Corr.1 envisages, on the one hand, holding only one regular annual session of the Trade and Development Board and reducing the frequency and duration of deliberative meetings of the main organs of UNCTAD and, on the other, enabling the Secretary-General of UNCTAD to convene inter-governmental consultative groups, exploratory commodity meetings, expert panels and working groups.

A large percentage of the UNCTAD budget is devoted to the costs of servicing the Board and its Main Committees, which require extensive language and documentation services. If such sessions were to be reduced in favour

of consultative, exploratory and expert groups there would be a significant saving in the budget of UNCTAD as these groups require only limited conference services.

The detailed financial implications of any recommendation the Board decides to make to the General Assembly will be set forth when the Board considers this item at its seventh session.

OTHER BUSINESS (Agenda item 18)

In its report on the budget estimates for 1968,³ the Advisory Committee on Administrative and Budgetary Questions suggested that in reviewing its own rules of procedure, the second session of the United Nations Conference on Trade and Development might consider the possibility of dispensing with the printing of the summary records of its meetings. The Conference has decided to include in its printed proceedings only summaries of the views of all Heads of delegations who participated in the general debate, as well as of representatives of the regional economic commissions of the United Nations, of its specialized agencies and all other inter-governmental bodies which participated in the debate. (TD/SR.73 and TD/L.23/Add.2, para.2).

³ See *Official Records of the General Assembly, Twenty-second Session Supplement No. 7*, para. 373.

SUMMARY STATEMENT OF FINANCIAL IMPLICATIONS OF RESOLUTIONS ADOPTED

Agenda item	Resolution	Subject	1968	1969
			(U.S. dollars)	
10	TD/L.29, para. 1	United Nations Cocoa Conference — if held at Geneva on a date when space is available	a	—
10	TD/L.29, para. 3 (ii)	Establishment of an Inter-governmental Consultative Committee on Oilseeds, Oils and Fats	a	b
10	TD/L.29, para. 7	Inter-governmental consultations concerning certain selected commodities	84,000	84,000
11 (b)	TD/L.32	Establishment of a Special Committee on Preferences on the scale of a main committee of the Board	125,000	125,000
		Savings arising from postponement of meetings of Group on Preferences	(32,000)	(32,000)
		Studies, background material and servicing of new Special Committee on Preferences, P.5, P.3, twenty-four months of consultants and two General Service staff	56,000	94,000
11 (c)	TD/88 and Corr.1 and 3, annex II	Amendment submitted by Chilean delegation *		
12	c	Increasing the flow of private capital to developing countries		
		Studies requested under paragraph 1: P.4, consultants and travel	54,000	c d
			e	e
		Studies requested under paragraph 3: P.4 and consultants	42,000	70,000
13 (a)	5 (II)	Savings from the postponement of the third session of the Committee on Shipping	(125,000)	—
13 (a)	5 (II)	Printing of the recurrent report "Review of Current and Long-term Aspects of Maritime Transport"	5,000	5,000

SUMMARY STATEMENT OF FINANCIAL IMPLICATIONS OF RESOLUTIONS ADOPTED (*continued*)

Agenda item	Resolution	Subject	1968	1969
			(U.S. dollars)	
13 (a)	TD/L.27	Creation of a governmental Working Group on International Shipping Legislation — Studies, background material and substantive services to the working group: One P.5, two P.4, two P.3 and three General Service staff	—	b
			—	117,000
9 (c)	TD/L.25/Rev.1	Convening a group of governmental experts on multilateral payments arrangements	a	b
		Convening a sessional committee of the Board concerning East-West trade and expansion of trade between socialist and developing countries	a	b
9 (b)	TD/85, annex I	Establishment of appropriate machinery for consultations on principles governing international trade relations and trade policies	e	e
14	TD/L.33	Establishment of appropriate institutional arrangements for continuing work on trade expansion and economic integration among developing countries	e	e
9 (g)	11 (II)	Establishment of a Group of Experts concerning the Problems of Land-locked Developing Countries: Travel and subsistence of members \$10,000	a	—
		Consultants	10,000	

* Document TD/90/Add.1 states as follows:

Agenda item 11 (c). The amendment of Chile to the draft resolution contained in annex II of document TD/88 and Corr. 1 and 3, adopted by the Conference at its 78th plenary meeting, decides that a study should be carried out on the question of restrictive business practices adopted by private enterprises of developed countries. The nature, scope and characteristics of this study shall be determined by the Trade and Development Board at its seventh session after having heard the views of the Committee on Manufactures. The amendment further requests the Secretary-General of UNCTAD to prepare an outline of the study and to submit it to the Committee on Manufactures at its third session.

The preparation of the outline will require the equivalent of six months of expert services, at an estimated cost of \$10,000. The

financial implications of the study that would be called for by the Board at its seventh session would be presented at that time in accordance with the extent of the work called for.

a Covered in the 1968 budget.

b Covered in the 1969 budget estimates.

c To be decided by the 78th plenary meeting.

d Costs in 1969 are to be assessed in the light of further study of the problem during 1968. However, it should be noted that there would be no extra costs if studies being carried out currently are considered to meet the purposes of the draft resolution.

e It is not feasible to estimate costs on basis of information contained in the resolution.

DRAFT RESOLUTIONS TRANSMITTED TO THE TRADE AND DEVELOPMENT BOARD

Agenda item	Draft resolution	Subject	1968	1969
9 (h)	TD/L.24	Establishment of an inter-governmental committee to examine "Transfer of Technology"	e	e
16 (a)	TD/L.30	Improvement in the efficiency of the institutional arrangements of UNCTAD which could result in substantial savings . . .		e

DECISION OF THE CONFERENCE

In response to the Advisory Committee on Administrative and Budgetary Questions, the Conference decided to include in its printed proceedings only summaries of the views of Heads of delegations who partici-

pate in the general debate, as well as of representatives of the regional economic commissions of the United Nations, of its specialized agencies and all other inter-governmental bodies.

ANNEX X

Check list of documents *

	<i>Page</i>
A. General documents	462
B. Limited documents	468
C. Resolutions	470
D. Documents in the information series	471
E. Documents in the non-governmental organization series	471
F. Main Committee documents	471
G. Working Group documents	479

A

GENERAL DOCUMENTS

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/1 and Corr.1 and 2	Provisional agenda for the second session of the United Nations Conference on Trade and Development: note by the Secretary-General of UNCTAD	
TD/2 and Corr.2	Provisional rules of procedure of the United Nations Conference on Trade and Development	3
TD/3/Rev.1	<i>Towards a Global Strategy of Development</i> , ¹ report by the Secretary-General of UNCTAD	8 and 9
TD/4 and Add.1	Report of the Trade and Development Board to the United Nations Conference on Trade and Development at its second session	16 (a)
TD/5/Rev.1	<i>Review of International Trade and Development, 1967</i> ²	9, 13 (a)
TD/6 **	The Kennedy Round — preliminary evaluation of results, with special reference to developing countries: report by the Secretary-General of UNCTAD (Summary)	9 (a)
TD/6/Supp.1 **	The Kennedy Round — preliminary evaluation of results with special reference to developing countries: study submitted by the Secretary-General of UNCTAD (Part one: Background)	9 (a)
TD/6/Supp.2 **	The Kennedy Round — preliminary evaluation of results with special reference to developing countries: study submitted by the Secretary-General of UNCTAD (Part two: Effects on tariff profiles of selected developed countries)	9 (a)
TD/6/Supp.3 **	The Kennedy Round — preliminary evaluation of results with special reference to developing countries: study submitted by the Secretary-General of UNCTAD (part three: Effects on access for selected products of export interest to developing countries)	9 (a)
TD/6/Supp.4 **	The Kennedy Round — preliminary evaluation of results, with special reference to developing countries: study submitted by the Secretary-General of UNCTAD (Annex I: Tariff averages)	9 (a)
TD/6/Supp.5 **	The Kennedy Round — preliminary evaluation of results with special reference to developing countries: study submitted by the Secretary-General of UNCTAD (Annex II: Statistical tables and appendices)	9 (a)
TD/7 and Corr.1 *	Growth, development finance and aid (synchronization of international and national policies) — issues and proposals: study by the UNCTAD secretariat	12
TD/7/Supp.1 and Corr.2 *	Growth and external development finance study by the UNCTAD secretariat	12 (b)

* All documents marked with one asterisk appear in the *Proceedings of the United Nations Conference on Trade and Development, Second Session*; those marked with two asterisks will be printed separately.

¹ United Nations publication, Sales No.: 68.II.D.6.

² United Nations publication, Sales No.: 68.II.D.4.

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/7/Supp.2 and Corr.1 *	The mobilization of internal resources by the developing countries: study by the UNCTAD secretariat	12 (b)
TD/7/Supp.3 and Corr.1 *	The terms of financial flows and problems of debt-servicing: note by the UNCTAD secretariat	12 (b)
TD/7/Supp.4 and Corr.1 *	The tying of aid — by Jagdish N. Bhagwati	12 (b)
TD/7/Supp.5 and Corr.1 *	The outlook for debt service: report by the UNCTAD secretariat	12 (b)
TD/7/Supp.6 and Corr.1 *	Progress report on compensatory financing of export fluctuations: note by the UNCTAD secretariat	12 (d)
TD/7/Supp.7 and Corr.1 *	Progress report on international monetary reform: note by the UNCTAD secretariat	12 (e)
TD/7/Supp.8 and Corr.1 *	The costs of aid-tying to recipient countries: Progress report by the UNCTAD secretariat	12 (b)
TD/7/Supp.8/Add.1 *	Report on tied credits — Chile: note by the UNCTAD secretariat	12 (b)
TD/7/Supp.8/Add.2 and Corr.1 *	Study on the excess cost of tied economic aid given to Iran in 1966/67 — by Eprime Eshag	12 (b)
TD/7/Supp.8/Add.3 *	Study of tied economic aid given to Tunisia in 1945 — by Eprime Eshag	12 (b)
TD/7/Supp.9 *	Problems of economic management at the governmental level in developing countries and the implementation of central decisions: study prepared by the Centre for Afro-Asian Research of the Hungarian Academy of Sciences	12 (b)
TD/7/Supp.10 and Corr.1 *	Costs and benefits of aid: an empirical analysis by John Pincus	12 (b)
TD/7/Supp.11 *	The Horowitz proposal: study by the UNCTAD secretariat	12 (b)
TD/7/Supp.12	Covering note — <i>The External Financing of Economic Development</i> — International flow of long-term capital and official donations, 1962-1966 (E/4438): ³ note by the UNCTAD secretariat	12 (b)
TD/7/Supp.13 *	The role of export credits in financing the development and promoting the exports of developing countries: progress report by the Fiscal and Financial Branch of the Department of Economic and Social Affairs of the United Nations	11 (d) and 12 (b)
TD/7/Supp.14	Promotion of private foreign investment in developing countries: note by the UNCTAD secretariat	12 (b)
TD/7/Supp.15 *	A study on independent international evaluation of national development efforts — by P. N. Rosenstein-Rodan	12 (b)
TD/7/Supp.16 *	Suppliers' credits — rediscounting facilities for exports from developing countries: report by the World Bank staff: note by the UNCTAD secretariat	11 (d), 12 (b) and 14
TD/8	The development of an international commodity policy: report by the UNCTAD secretariat	10 (b)
TD/8/Supp.1 and Corr.1 *	The development of an international commodity policy: study by the UNCTAD secretariat	10 (b)
TD/9 *	Recent developments and long-term trends in commodity trade: report by the UNCTAD secretariat	10 (a)
TD/9/Supp.1	Covering note — <i>Commodity Survey 1967</i> (TD/B/C.1/46/Rev.1) ⁴	10 (a)
TD/9/Supp.2	The longer-term prospects for commodity exports from developing countries: report by the UNCTAD secretariat	10 (a)
TD/10	Review of the trade in manufactures and semi-manufactures: report by the UNCTAD secretariat	11 (a)
TD/10/Supp.1 and Corr.1 *	Review of the trade in manufactures and semi-manufactures: report by the UNCTAD secretariat	11 (a)
TD/11	Programme for the liberalization and expansion of trade in commodities of interest to developing countries: report by the UNCTAD secretariat	10 (c)
TD/11/Supp.1 *	Programme for the liberalization and expansion of trade in commodities of interest to developing countries: report by the UNCTAD secretariat	10 (c)
TD/11/Supp.2 *	Trade barriers and liberalization possibilities in selected commodities: report by the UNCTAD secretariat	10 (c)
TD/12 *	The question of the granting and extension of preferences in favour of developing countries: report by the UNCTAD secretariat	11 (b)
TD/12/Supp.1 *	A system of preferences for exports of manufactures and semi-manufactures from developing to developed countries: report by the UNCTAD secretariat	11 (b)
TD/12/Supp.2 and Corr.1 *	A system of preferences for exports of manufactures and semi-manufactures from developing to developed countries: report by the UNCTAD secretariat	11 (b)

³ United Nations publication, Sales No.: E.68.II.D.10.⁴ United Nations publication, Sales No.: E.68.II.D.7.

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/12/Supp.3	Covering note — Report of the Group on Preferences on its second session (<i>Official Records of the Trade and Development Board, Fifth Session, Supplement No. 5, annex I</i>)	11 (b)
TD/13	Consultation machinery in shipping — report by the UNCTAD secretariat: summary	13 (d)
TD/13/Supp.1	Covering note — <i>Consultation in Shipping</i> (TD/B/C.4/20/Rev.1) ⁵	13 (d)
TD/14	<i>Shipping and the World Economy</i> — report of a Seminar on shipping economics (TD/B/C.4/17/Rev.1) ⁶	13 (a)
TD/15 and Corr.1 *	Trade expansion and economic integration among developing countries and the role of international assistance: report by the UNCTAD secretariat	14
TD/15/Supp.1	Covering note — <i>Trade Expansion and Economic Co-operation among Developing Countries</i> : report of the Committee of Experts (TD/B/68/Rev.1) ⁷	14
TD/15/Supp.2	Covering note — <i>Payments Arrangements among the Developing Countries for Trade Expansion</i> : report of the Group of Experts (TD/B/80/Rev.1) ⁸	14
TD/15/Supp.3	Covering note — <i>Trade Expansion and Economic Integration among Developing Countries</i> — report by the UNCTAD secretariat (TD/B/85/Rev.1) ⁹	14
TD/15/Supp.4	Covering note — Payments Arrangements among Developing Countries: report by the UNCTAD secretariat (<i>Official Records of the Trade and Development Board, Fifth Session, Annexes, agenda item II, document TD/B/112</i>)	14
TD/15/Supp.5	Trade negotiations among developing countries: note by the UNCTAD secretariat	14
TD/15/Supp.5/Add.1	Trade negotiations among developing countries — note by the UNCTAD secretariat: annex tables	14
TD/16 *	The problem of special preferences: report by the UNCTAD secretariat	9 (d)
TD/16/Supp.1 *	The problem of special preferences: report by the UNCTAD secretariat	9 (d)
TD/16/Supp.1/Add.1 *	The problem of special preferences: report by the UNCTAD secretariat	9 (d)
TD/17 and Corr.1 *	Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development: report by the UNCTAD secretariat	9 (g) and 15
TD/17/Supp.1 *	The problem of identifying the least developed among the developing countries: report by the UNCTAD secretariat	9 (g) and 15
TD/18 *	Review of trade relations among countries having different economic and social systems including problems of East-West trade: report by the UNCTAD secretariat	9 (c)
TD/18/Supp.1	Covering note — Review of trade relations among countries having different economic and social systems including problems of East-West trade (<i>Official Records of the Trade and Development Board, Fifth Session, Annexes, agenda item 9, document TD/B/128 and Add.1-3</i>)	9 (c)
TD/18/Supp.2	The use of long-term agreements as an instrument for promoting trade between socialist and developing countries: study prepared by the Hungarian Institute for Economic and Market Research	9 (c)
TD/19	Study on the objective criteria for an escape clause in a system of preferences: report by the UNCTAD secretariat	11 (b)
TD/19/Supp.1 *	Study on criteria for invoking the escape clause in a general system of preferences for exports of manufactures and semi-manufactures from developing countries: report by the UNCTAD secretariat	11 (b)
TD/19/Supp.2 and Corr.1	The application of safeguard clauses and adjustment assistance measures to industries facing import competition: report by the UNCTAD secretariat	11 (b)
TD/20	Programme for the liberalization of non-tariff barriers in developed countries on products of export interest to developing countries: report by the UNCTAD secretariat	11 (c)
TD/20/Supp.1 *	Programme for the liberalization of non-tariff barriers in developed countries on products of export interest to developing countries: report by the UNCTAD secretariat	11 (c)
TD/20/Supp.2	Covering note — Programme for the liberalization and expansion of trade in manufactures and semi-manufactures of interest to developing countries: note by the UNCTAD secretariat (TD/B/C.2/25/Add.1)	11 (c)
TD/20/Supp.3 and Corr.1 and 2	Study of the origins and operation of international arrangements relating to cotton textiles: report by the UNCTAD secretariat	11 (c)

⁵ United Nations publication, Sales No.: 68.II.D.1.

⁶ United Nations publication, Sales No.: 67.II.D.12.

⁷ United Nations publication, Sales No.: 67.II.D.2.

⁸ United Nations publication, Sales No.: 67.II.D.6.

⁹ United Nations publication, Sales No.: 67.II.D.20.

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/20/Supp.4 and Corr.1	An analysis of existing quantitative restrictions in selected developed countries on selected products of export interest to the developing countries: report by the UNCTAD secretariat	11 (c)
TD/21 *	A possible programme for the promotion of exports of manufactures and semi-manufactures from developing countries: report by the UNCTAD secretariat	11 (d)
TD/21/Supp.1	A possible programme for the promotion of exports of manufactures and semi-manufactures from developing countries: report by the UNCTAD secretariat	11 (d)
TD/22 *	The world food problem in relation to international trade, export earnings and economic development of developing countries: report by the FAO secretariat	9 (f)
TD/23	Technical assistance activities relating to trade, including training of technical and special staff of developing countries: report by the UNCTAD secretariat	16 (b)
TD/23/Add.1	Technical assistance activities relating to trade including training of technical and special staff of developing countries: report by the UNCTAD secretariat	16 (b)
TD/24	Progress report on the programme of work in invisibles (insurance and tourism): report by the UNCTAD secretariat	13 (a)
TD/24/Add.1	Division of responsibilities among the United Nations secretariat units concerned with insurance questions: report by the Secretary-General of the United Nations	13 (a)
TD/24/Supp.1	Covering note — Reinsurance policy and operations in developing countries: report of the Expert Group on Reinsurance (TD/B/C.3/29)	13 (a)
TD/25 and Corr.1	Activities in the field of shipping: progress report by the UNCTAD secretariat	13 (a) and (b)
TD/25/Supp.1 and Rev.1	Covering note — <i>Liner shipping in India's overseas trade</i> , by T. K. Sarangan (TD/B/C.4/31) ¹⁰	13 (b)
TD/25/Supp.2 and Rev.1	Covering note — <i>The West African shipping range</i> , by D. Tresselt (TD/B/C.4/32) ¹¹	13 (b)
TD/25/Supp.3	Basic economies of containerization and unitization in ocean shipping: note by the UNCTAD secretariat (TD/B/C.4/34)	13 (b)
TD/25/Supp.4	Covering note — Development of ports: progress report by the UNCTAD secretariat (TD/B/C.4/23)	13 (e)
TD/26	Establishment or expansion of merchant marines in developing countries: preliminary report by the UNCTAD secretariat	13 (c)
TD/26/Supp.1 and Corr.1	**Establishment or expansion of merchant marines in developing countries: preliminary report by the UNCTAD secretariat	13 (c)
TD/26/Supp.2	Experience and problems relating to the development of national merchant marines (E/CN.11/TRADE/SFR/L.5): note by the UNCTAD secretariat	13 (c)
TD/26/Supp.3	Training facilities for ship and shore personnel in the ECAFE region (E/CN.11/TRADE/SFR/L.8): note by the UNCTAD secretariat	13 (c)
TD/27 and Corr.1	Problems arising from the development of synthetics and substitutes: report by the UNCTAD secretariat	10 (d)
TD/28	The transfer of technology to developing countries, with special reference to licensing and know-how agreements: study prepared by C. H. G. Oldham, C. Freeman and E. Turkcan, Science Policy Research Unit of the University of Sussex, England	9 (h)
TD/28/Supp.1 and Corr.1	The transfer of technology to developing countries, with special reference to licensing and know-how agreements: study prepared by C. H. G. Oldham, C. Freeman and E. Turkcan, Science Policy Research Unit of the University of Sussex, England	9 (h)
TD/29	Liner freight rate index: a feasibility study by M. G. Kendall	13 (b)
TD/30	A general agreement on commodity arrangements: report by the UNCTAD secretariat	10 (b)
TD/31 and Corr.1 and Add.1	Review of recent development and long-term trends in world shipping: report by the UNCTAD secretariat	13 (a)
TD/32 and Corr.1 **	International legislation on shipping — by T. K. Thommen	13 (a)
TD/33/Rev.1	<i>Supplementary Financial Measures</i> , ¹² final report of the Inter-governmental Group on Supplementary Financing as adopted by the Group at its third session, held at Geneva from 30 October to 13 November 1967	12 (c)
TD/34 **	General survey of trade prospects and capital needs of developing countries — issues and proposals: study by the UNCTAD secretariat	9 (a) and 12
TD/34/Supp.1 and Corr.1 and 2 **	Trade prospects and capital needs of developing countries: report by the UNCTAD secretariat	9 (a) and 12

¹⁰ United Nations publication, Sales No.: 67.II.D.25.¹¹ United Nations publication, Sales No.: 67.II.D.24.¹² United Nations publication, Sales No.: E.68.II.D.3.

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/34/Supp.1/Add.1 and Corr.1 and 2 **	Trade prospects and capital needs of developing countries: report by the UNCTAD secretariat — Annexes	9 (a) and 12
TD/35/Rev.1	<i>The Role of Private Enterprise in Investment and Promotion of Exports in Developing Countries</i> — report prepared by Dirk U. Stikker ¹³	11 (d)
TD/36	Activities of the subsidiary bodies of the Board (July 1965 — November 1967): report by the UNCTAD secretariat	16 (a)
TD/37 and Corr.1	Transfer of technology to developing countries (including know-how and patents): report by the Fiscal and Financial Branch of the Department of Economic and Social Affairs	9 (h)
TD/38 and Add.1 and 2 *	Charter of Algiers: note by the Secretary-General of UNCTAD	9 (a)
TD/39	Report on the Exploratory Meeting on Rubber, held at the Palais des Nations, Geneva, from 15 to 19 December 1967	10 (d)
TD/40 *	The international division of labour and developing countries: report by the UNCTAD secretariat	9 (e)
TD/41 *	Joint statement by the developing countries members of the Inter-governmental Group on Supplementary Financing	12 (c)
TD/42	Covering note — <i>Report of the second session of the Study Group on Oilseeds, Oils and Fats</i> (CCP: 67/26): note by the UNCTAD secretariat	10 (a)
TD/42 and Add.1	Covering note — <i>Report of the third session of the Study Group on Oilseeds, Oils and Fats</i> (CCP: 68/3): note by the UNCTAD secretariat	10 (a)
TD/43	Covering note — Extracts from the Report of the Fourteenth Session of the FAO Conference (COD/67/1): note by the UNCTAD secretariat	9 (f)
TD/44	Trade, development and economic co-operation in six countries of the Middle East: report by the United Nations Economic and Social Office in Beirut	14
TD/45	Cultural tourism and the use of the cultural heritage for tourism and economic growth: report by the secretariat of UNESCO	13 (a)
TD/46 and Corr.1, Rev.1 and Rev.1/Corr.1 *	Some labour implications of increased participation of developing countries in trade manufactures and semi-manufactures: report by the International Labour Office	9 (e)
TD/47	International trade in educational and scientific materials: report submitted by the Director-General of UNESCO	18
TD/48	<i>The Food Problem of Developing Countries</i> ¹⁴ — report by Thorkil Kristensen, Secretary-General of the Organisation for Economic Co-operation and Development (OECD)	9 (f)
TD/49	Forest products — a dynamic sector of developing countries' exports: paper presented by the FAO secretariat	11 (d)
TD/50	Activities of GATT in the field of trade and development 1964-1967: note by the UNCTAD secretariat	9
TD/51	Covering note — Report of the ECAFE Working Party on Shipping and Ocean Freight Rates, first session: note by the UNCTAD secretariat (E/CN.11/TRADE/L.107)	13 (a)
TD/52	Activities of the Economic Commission for Europe in the field of trade relevant to the work of the second session of the Conference: report by the secretariat of the Economic Commission for Europe (ECE)	9 and 16
TD/53	Covering note — Multilateral Food Aid (E/4352 and Add.1): note by the UNCTAD secretariat	9 (f)
TD/54	United Nations Development Programme — assistance in export promotion and related fields: paper presented by the secretariat of the United Nations Development Programme	16 (b)
TD/55 *	Developing countries and the food problem: report by the UNCTAD secretariat	9 (f)
TD/56 and Corr.1 *	Report of the Special Group of the Organisation for Economic Co-operation and Development (OECD) on Trade with Developing Countries: note by the UNCTAD secretariat	11 (b)
TD/57	Covering note — Latin America and the second session of UNCTAD (E/CN.12/803): note by the UNCTAD secretariat	9 and 14
TD/58	Preparatory meeting held at the Vigyan Bhavan, New Delhi, from 29 to 31 January 1968: report by the Chairman	
TD/59 *	Statement by the President of the Conference, Mr. Dinesh Singh, Minister of Commerce, India, at the 37th (opening) plenary meeting, held on 1 February 1968 at the Vigyan Bhavan	
TD/60	Review of the economic, scientific and technical co-operation of CMEA member countries: note by the UNCTAD secretariat	9

¹³ United Nations publication, Sales No.: E.68.II.D.9.

¹⁴ OECD publication, January 1968.

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/61 *	Agenda as adopted by the Conference at its 39th plenary meeting on 2 February 1968	
TD/62 *	Statement by Mr. Raúl Prebisch, Secretary-General of the United Nations Conference on Trade and Development, at the 39th plenary meeting, 2 February 1968	
TD/63 **	Rules of procedure of the United Nations Conference on Trade and Development as adopted by the Conference at its 37th meeting on 1 February 1968	3
TD/64	Covering note — Report of the International Symposium on Industrial Development: note by the UNCTAD secretariat (TD/B/21 and Add.1)	
TD/65 *	The Alliance for Progress and multilateral economic co-operation: prepared by the Inter-American Committee on the Alliance for Progress (OAS-ICAP)	12 (b)
TD/66	Division of responsibilities among the United Nations secretariat units concerned with transport questions: report by the Secretary-General of UNCTAD	13
TD/66/Supp.1	Division of responsibilities among the United Nations secretariat units concerned with transport questions: report by the Secretary-General of the United Nations	13
TD/67 *	Address by the Secretary-General of the United Nations to the second session of the United Nations Conference on Trade and Development, New Delhi, at its 51st plenary meeting, 9 February 1968	
TD/68 *	Statement by the Director-General of the Food and Agriculture Organization of the United Nations at the 52nd plenary meeting of the Conference, 9 February 1968	9 (f)
TD/69 **	The effects of the Kennedy Round on the exports of processed goods from developing areas — by Bela Balassa	9 and 11
TD/70	Letter dated 15 February 1968 from the Deputy Head of the delegation of Bulgaria to the President of the Conference	
TD/71	Letter dated 2 February 1968 from the Acting Heads of the delegations of the Federal Republic of Germany, France, United Kingdom of Great Britain and Northern Ireland and the United States of America addressed to the President of the Conference	
TD/72	Concluding statement by the President at the 64th plenary meeting, 22 February 1968, in connexion with the general debate under item 8 of the agenda	8
TD/73	Important recent developments in the common agricultural policy of the European Economic Community — note by the UNCTAD secretariat	9 (d)
TD/74	Letter dated 24 February 1968 from the Acting Head of the delegation of the Polish People's Republic to the President of the Conference	
TD/75 and Corr.1	Allocation of agenda items as adopted by the Conference at its 39th and 58th plenary meetings	
TD/76	Letter dated 29 February 1968 addressed to the President of the Conference by the Acting Head of the delegation of the Socialist Republic of Romania	
TD/77	Letter dated 29 February 1968 from the Acting Heads of the delegations of the Federal Republic of Germany, France, United Kingdom of Great Britain and Northern Ireland and the United States of America addressed to the President of the Conference	
TD/78	Letter dated 6 March 1968 from the Acting Heads of the delegations of the Polish People's Republic, the Union of Soviet Socialist Republics and the Czechoslovak Socialist Republic to the President of the Conference	
TD/79 *	Statement made by Mr. Raúl Prebisch, Secretary-General of the United Nations Conference on Trade and Development, at the 66th plenary meeting, 12 March 1968	
TD/80	Report of the Credentials Committee	6 (b)
TD/81 and Corr.1, 3 and 4, Add.1 and Add.1/Corr.1 and 2	Report of Working Group I	9 (f)
TD/82 and Corr.1, Add.1 and Add.1/Corr.1	Report of the Third Committee	12
TD/83 and Corr.1 and 2	Report of the Fourth Committee	13
TD/84	Transfer of technology, including know-how and patents: report by the Secretary-General of UNCTAD	9 (h)
TD/85 and Corr.1	Report of the Fifth Committee	9 (a) and (e)
TD/86 and Corr.1, Add.1, Add.2/Corr.1, 3, 4 and 5	Report of the First Committee	10
TD/87 and Corr.1, Add.1 and Add.1/Rev.1	Report of Working Group II	14 and 15
TD/88 and Corr.1 and 3	Report of the Second Committee	11

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/89	Report of Working Group III	9 (g)
TD/90 and Add.1 *	Summary statement of financial implications of actions of the second session of the Conference	18
TD/91 *	Statement by Mr. J. Everts (Netherlands), Chairman of the Third Committee, at the 79th plenary meeting, 28 March 1968	12
TD/92 *	Declaration relating to issues of development financing by Mr. A. F. Azeredo da Silveira (Brazil) on behalf of the Group of 77 at the 79th plenary meeting, 28 March 1968	12
TD/93 *	Statement by Mr. Lal Jayawardena (Ceylon) on behalf of the Group of 77 on supplementary financial measures and on behalf of the Asian Group on the flow of private capital, 78th plenary meeting, 27 March 1968	12
TD/94 *	Statement by the representative of the United Kingdom at the 79th plenary meeting, 28 March 1968	12
TD/95	Letter dated 29 March 1968 addressed to the Secretary-General of UNCTAD by the Leader of the South African delegation to the second session of the Conference	
TD/96 *	The significance of the second session of the Conference: report to the Secretary-General of the United Nations	

B

LIMITED DOCUMENTS

TD/L.1	Application by the Commonwealth Secretariat: note by the UNCTAD secretariat	
TD/L.2	Application of the Permanent Consultative Committee of the Maghreb Countries: note by the UNCTAD secretariat	
TD/L.3	Application by the Asian-African Legal Consultative Committee: note by the UNCTAD secretariat	
TD/L.4	Application by the Afro-Asian Rural Reconstruction Organization: note by the UNCTAD secretariat	
TD/L.5	Application by the Central African Customs and Economic Union: note by the UNCTAD secretariat	
TD/L.6	Organization of the work of the Conference: note by the UNCTAD secretariat	
TD/L.7 and Rev.1	Training of technical and special staff in the field of export promotion (marketing techniques, methods of financing, publicity) and invisible transactions, including shipping, insurance and tourism: draft resolution submitted by France, Iran, Romania, Senegal and Tunisia	16 (b)
TD/L.8	Election of members of the Board: note by the Secretary-General of UNCTAD	17
TD/L.9	Financial implications of the draft resolution contained in annex II to TD/81/Add.1	18
TD/L.10 and Rev.1	Measures to inform world public opinion of the work of UNCTAD and of the problems of development: draft recommendation submitted by Austria, Chile, Ecuador, Finland, Pakistan, Romania, Sweden, Tunisia and the United Republic of Tanzania	16 (a)
TD/L.11	Amendment submitted by India to the draft declaration contained in the annex to the report of Working Group I (TD/81)	9 (f)
TD/L.12	Amendment to the draft declaration on the World Food Problem, annex I to the Report of Working Group I (TD/81), submitted by France	9 (f)
TD/L.13	Amendment submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia, Zambia to the draft declaration contained in the annex to the report of Working Group I (TD/81)	9 (f)
TD/L.14	Measures to inform world public opinion of the work of UNCTAD and of the problems of development — United Kingdom of Great Britain and Northern Ireland: amendments proposed to the draft resolution submitted by Austria, Chile, Ecuador, Finland, Pakistan, Romania, Sweden, Tunisia and the United Republic of Tanzania (TD/L.10/Rev.1)	16 (a)
TD/L.15	Statement of financial implications of draft resolutions submitted to the Second Committee (TD/88)	11

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/L.16	Draft resolutions submitted to the First Committee: note by the Chairman of the First Committee	10
TD/L.17	Financial implications of draft resolution contained in paragraph 89 of TD/83	13 (a)
TD/L.18	Insurance: draft resolution submitted by Czechoslovakia, India, Japan, Nigeria, Pakistan, United Kingdom of Great Britain and Northern Ireland and United States of America	13 (a)
TD/L.19	Financial resources and requirements of developing countries and measures to accelerate their economic development: draft resolution submitted by Federal Republic of Germany, Switzerland and United States of America	12 (b)
TD/L.20	Development of merchant marines of developing countries: draft resolution submitted by: Chile, Czechoslovakia, Denmark, India, Pakistan and Senegal	13 (c)
TD/L.21	Stabilization of commodity prices: draft resolution submitted by the delegation of France	10 (b)
TD/L.22	World Bank Group matters: revised text of note by the Chairman of the Third Committee on World Bank Group matters	12
TD/L.23 and Corr.1	Draft report of the United Nations Conference on Trade and Development on its second session, part one — Introduction	19
Add.1 and Corr.1	Draft report, part two — Organization of the Conference	19
Add.2	Draft report, part three — Summary of the general debate	19
Add.3	Draft report, part four — Conclusions. List of recommendations, resolutions, declarations and other decisions adopted by the Conference	19
Add.4	Draft report, Contents	19
Add.5	Draft report, Annexes	19
TD/L.24	Transfer of technology, including know-how and patents: draft resolution submitted by Brazil, Chile, India and Pakistan	9 (h)
TD/L.25 and Rev.1	Trade relations among countries having different economic and social systems including problems of East-West trade, paying attention particularly to the trade interests of developing countries and taking into account the work in this field of other United Nations organs, including the regional economic commissions: draft resolution submitted by the Chairman of the Fifth Committee	9 (c)
TD/L.26	Financial implications of the report of Working Group II (TD/87 and Corr.1, Add.1 and Add.1/Rev.1)	
TD/L.27	International legislation on shipping: draft resolution submitted by Chile, Czechoslovakia, India, Ivory Coast, the Union of Soviet Socialist Republics and United Arab Republic	13 (a)
TD/L.28 and Corr.2 and Corr.2/Rev.1	Growth, development finance and aid (synchronization of international and national policies): note by the Chairman of the Contact Group of the Plenary	12
TD/L.29 and Corr.1	Commodity problems and policies: note by the Chairman of the Contact Group of the Plenary	10
TD/L.30 and Corr.1, Add.1	General review of the work of UNCTAD: draft resolution submitted by Chile and India. Financial implications of the draft resolution contained in document TD/L.30: note by the UNCTAD secretariat	16
TD/L.31	Special measures for the least developed among the developing countries aimed at expanding their trade and improving their economic and social development: draft resolution submitted by the Chairman of Working Group II	15
TD/L.32	Preferential or free entry of exports of manufactures and semi-manufactures of developing countries: note by the Chairman of the Contact Group of the Plenary	11 (b)
and Add.1	Statement of the financial implications of the draft resolution contained in document TD/L.32: note by the UNCTAD secretariat	11 (b)
TD/L.33	Draft text of concerted declaration on trade expansion, economic co-operation and regional integration among developing countries, submitted by the Chairman of Working Group II	14
TD/L.34	Work of the Organization: draft resolution submitted by Sweden	16
TD/L.35 and Add.1	Suspension of South Africa: draft resolution submitted by Afghanistan, Algeria, Barbados, Burundi, Cameroon, Central African Republic, Chad, Chile, Congo (Brazzaville), Congo (Democratic Republic of), Ethiopia, Gabon, Gambia, Ghana, Guinea, India, Indonesia, Iraq, Ivory Coast, Jamaica, Kenya, Liberia, Libya, Madagascar, Malaysia, Mali, Mauritania, Mexico, Morocco, Niger, Nigeria, Pakistan, Peru, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Somalia, Sudan, Togo, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Venezuela, Yemen, Yugoslavia and Zambia	18
TD/B.36	Report by the Chairman of Working Group II on the preparation of the draft text of the concerted declaration on trade expansion, economic co-operation and regional integration among developing countries	14

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/L.37 * and Corr.1, Corr.2	Report of the United Nations Conference on Trade and Development on its second session, held at New Delhi from 1 February to 29 March 1968	
Add.1, *	Report: note by the Rapporteur	
Add.2, *	Report — annex I.B: resolutions, declarations and other decisions adopted by the Conference	
Add.3, *	Report — annex VII.A: report of the First Committee	
Add.4, *	Report: annex VII.B — report of the Second Committee	
Add.5, *	Report: annex VII.C — report of the Third Committee	
Add.6, *	Report: annex VII.D — report of the Fourth Committee	
Add.7, *	Report: annex VII.E — report of the Fifth Committee	
Add.8, *	Report: annex VII.F — reports of Working Groups I, II and III	
Add.9 *	Report: annex VII.G — report of the Credentials Committee	
Add.10	Report: note by the UNCTAD secretariat	
TD/SR.37 — 81	Summary records of plenary meetings of the second session	

C

RESOLUTIONS

TD/II/RES/1 *	Training of technical and special staff in the field of export promotion (marketing techniques methods of financing, publicity) and invisible transactions, including shipping, insurance and tourism	16 (b)
TD/II/RES/2 *	2 (II). Establishment of consultation machinery in the field of shipping	13 (d)
TD/II/RES/3 *	3 (II). Freight rates and conference practices	13 (b)
TD/II/RES/4 *	4 (II). Terms of shipment	13 (b) and (c)
TD/II/RES/5 *	5 (II). Regular sessions of the Committee on Shipping	13 (a)
TD/II/RES/6 *	6 (II). Substantive support for technical assistance	13 (a)
TD/II/RES/7 *	7 (II). Development of ports	13 (e)
TD/II/RES/8 *	8 (II). Tourism	13 (a)
TD/II/RES/9 *	9 (II). Declaration on the world food problem	9 (f)
TD/II/RES/10 *	10 (II). Measures to inform world public opinion of the work of UNCTAD and of the problems of development	16 (a)
TD/II/RES/11 *	11 (II). Special problems of the land-locked countries	9 (g)
TD/II/RES/12 *	12 (II). Development of merchant marines of developing countries	13 (c)
TD/II/RES/13 *	13 (II). Insurance	13 (a)
TD/II/RES/14 *	14 (II). International legislation on shipping	13 (a)
TD/II/RES/15 and Corr.1 *	15 (II). Trade relations among countries having different economic and social systems including problems of East-West trade, paying attention particularly to the trade interests of developing countries and taking into account the work in this field of other United Nations organs, including the regional economic commissions	9 (c)
TD/II/RES/16 *	16 (II). International action on commodities	10
TD/II/RES/17 *	17 (II). General agreement on commodity arrangements	10
TD/II/RES/18 *	18 (II). Co-ordination by UNCTAD of the activities of inter-governmental commodity bodies	10
TD/II/RES/19 *	19 (II). Studies by international financial institutions on stabilization of commodity prices	10
TD/II/RES/20 *	20 (II). Guaranteed minimum agricultural income	10
TD/II/RES/21 *	21 (II). Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to the developed countries	11 (b)
TD/II/RES/22 *	22 (II). Steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development	9 (b)
TD/II/RES/23 *	23 (II). Trade expansion and economic integration among developing countries, measures to be taken by developing and developed countries — including regional, sub-regional and interregional arrangements	14
TD/II/RES/24 *	24 (II). Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development	15

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/II/RES/25 *	25 (II). A 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 — restrictive business practices	11 (c)
TD/II/RES/26 *	26 (II). Suspension of South Africa	18
TD/II/RES/27 *	27 (II). Aid volume target	12
TD/II/RES/28 *	28 (II). Improving the mobilization of internal resources	12
TD/II/RES/29 * and Rev.1	29 (II). Improving the terms and conditions of aid alleviating the problems of external indebtedness	12
TD/II/RES/30 *	30 (II). Supplementary financial measures	12
TD/II/RES/31 *	31 (II). Compensatory financing facility	12
TD/II/RES/32 *	32 (II). International monetary system — issues relating to development finance and trade of developing countries	12
TD/II/RES/33 *	33 (II). Increasing the flow of private capital to developing countries	12
TD/II/RES/34 *	34 (II). Resolution expressing gratitude to the Government and people of India	18
TD/II/RES/35 *	35 (II). Credentials of representatives to the second session of the Conference	6 (b)

D

DOCUMENTS IN THE INFORMATION SERIES

TD/INF.3	Guide to documentation — part one — A classification by provisional agenda items of the documents before the second session of the Conference and a summary list of their contents
and Add.1	Guide to documentation — part two — Subject index
TD/INF.4	Information for participants
TD/INF.5 and Corr.1	List of participants ¹⁵

E

DOCUMENTS IN THE NON-GOVERNMENTAL ORGANIZATION SERIES

TD/NGO/1	World trade and economic development — Statement submitted by the International Chamber of Commerce
TD/NGO/2	Statement submitted by the International Confederation of Free Trade Unions

F

MAIN COMMITTEE DOCUMENTS

FIRST COMMITTEE

General documents

TD/II/C.1/1	Letter dated 2 February 1968 from the President of the Conference to the Chairman of the First Committee
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Limited documents

TD/II/C.1/L.1	Organization of the Committee's Work: note by the Chairman	
TD/II/C.1/L.2	Guaranteed minimum agricultural wage: draft resolution submitted by the delegations of Burundi, Central African Republic, Chad, Congo (Brazzaville), Congo (Democratic Republic of), Gabon, Guinea, Holy See, Ivory Coast, Madagascar, Mali, Mauritania, Rwanda, Senegal, Togo and Upper Volta	10 (b)
TD/II/C.1/L.3	Membership of the First Committee	
TD/II/C.1/L.4 and Rev.1 and 2	Stabilization of commodity prices: draft resolution submitted by the delegation of France	10 (b)

¹⁵ A revised version will be issued together with the list of Conference secretariat.

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/II/C.1/L.5	Main elements of commodity policy including international commodity arrangements and other techniques of commodity market stabilization: draft resolution submitted by Senegal	10 (b)
TD/II/C.1/L.6 and Rev.1	General agreement on commodity arrangements: draft resolution submitted by Bulgaria, Czechoslovakia, Hungary, Poland and Union of Soviet Socialist Republics	10 (b)
TD/II/C.1/L.7 and Rev.1 Rev.1/Corr.1	Co-ordination by UNCTAD of the activities of inter-governmental commodity bodies: draft resolution submitted by Bulgaria, Byelorussian SSR, Hungary, Poland, and Union of Soviet Socialist Republics	10 (b)
TD/II/C.1/L.8 and Rev.1	Study on organization and structure of trade network in the field of commodities: draft resolution submitted by the delegations of Bulgaria, Czechoslovakia, Hungary, Ukrainian SSR and the Union of Soviet Socialist Republics	10 (b)
TD/II/C.1/L.9	The role of long-term bilateral agreements in the stabilization of primary commodity markets: draft resolution submitted by the delegations of Bulgaria, Hungary, Romania, Ukrainian SSR, and Union of Soviet Socialist Republics	10 (b)
TD/II/C.1/L.10 and Corr.1-3, Add.1-3	Commodity problems and policies — Draft resolution submitted by: Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malawi, Malaysia, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia	10 (b)
TD/II/C.1/L.11 and Add.1, Add.2, Add.3 Add.4, Add.5, Add.6, Add.7	Draft report of the First Committee: contents and introduction Draft report: chapter I Draft report: chapter II Draft report: chapter III Draft report: chapter IV Draft report: chapter V Draft report: chapter VI Draft report: chapter VII	10 (a) 10 (b) 10 (b) 10 (b) 10 (d) 10 (b) 10 (c)
TD/II/C.1/L.12	Observations by the Philippines with regard to part II of document TD/II/C.1/L.10	10 (b)
TD/II/C.1/L.13	Commodity problems and policies — Ivory Coast and Senegal: suggested change in document TD/II/C.1/L.10	10 (b)
TD/II/C.1/L.14 and Corr.1	Programme for the liberalization and expansion of trade in commodities of interest to developing countries — trade liberalization: Proposals submitted by the United States of America and Canada	10 (c)
TD/II/C.1/L.15	Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from export of primary commodities — price policy: proposals submitted by the United States of America and Canada	10 (b)
TD/II/C.1/L.16	Commodity problems and policies: observations by the Philippines with regard to part II of document TD/II/C.1/L.10 and Corr.3	10 (b)
TD/II/C.1/L.17	Commodity problems and policies: observations by Jamaica with regard to the document TD/II/C.1/L.10	10 (b)
TD/II/C.1/L.18	Statement of financial implications of draft resolutions and proposals under consideration by the First Committee	10
TD/II/C.1/L.19	Commodity problems and policies: proposal submitted by Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and Netherlands	10 (b)
TD/II/C.1/L.20	Amendments proposed by Australia to the proposals submitted by Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands in document TD/II/C.1/L.19	10 (b)
TD/II/C.1/L.21	Disposal of surpluses and strategic reserves: amendment submitted by the United States of America to document TD/II/C.1/L.10, Part IV	10 (b)
TD/II/C.1/L.22	Main elements of a commodity policy: proposal submitted by Belgium, Federal Republic of Germany, France, Italy, Luxembourg and Netherlands	10 (b)
TD/II/C.1/L.23	Amendment proposed by Algeria, Argentina, Brazil, Cameroon, Ceylon, Ethiopia, India, Indonesia, Iran, Ivory Coast, Jamaica, Malaysia, Mexico, Pakistan, Philippines, Senegal, United Arab Republic, Tanzania, Uruguay, Venezuela and Yugoslavia to document TD/II/C.1/L.10	10 (b)

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/II/C.1/L.24 and Rev.1	Liberalization of commodity trade: draft resolution submitted by Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands	10 (c)
TD/II/C.1/L.25 and Corr.1	International action on commodities — Proposals submitted by Austria, Australia, Belgium, Canada, Denmark, Federal Republic of Germany, Finland, France, Iceland, Ireland, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland, and United States of America	10 (b)
TD/II/C.1/L.26 and Corr.1 and 2	Operation and financing of buffer stocks — proposal submitted by Australia, Austria, Belgium, Canada, Denmark, the Federal Republic of Germany, Finland, Iceland, Ireland, Italy, Japan, the Netherlands, Norway, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland and United States of America	10 (b)
TD/II/C.1/L.27 and Corr.1	Role and financing of diversification programmes: proposals submitted by Austria, Belgium, Canada, Denmark, Federal Republic of Germany, Finland, France, Iceland, Ireland, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland and United States of America	10 (b)
TD/II/C.1/L.28	Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from exports of primary commodities — <i>Guaranteed minimum agricultural income</i> : amendment submitted by the delegations of the Central African Republic, Holy See, Ivory Coast and Senegal	10 (b)
TD/II/C.1/L.29	Programme for the liberalization and expansion of trade in commodities of interest to developing countries — trade liberalization: amendment to document TD/II/C.1/L.10 submitted by Madagascar	10 (c)
TD/II/C.1/L.30	Synthetics and substitutes: amendments to TD/II/C.1/L.10, part III submitted by Australia, Austria, Belgium, Canada, Denmark, Federal Republic of Germany, Finland, Ireland, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland, United States of America	10 (d)
TD/II/C.1/SR.1-33	Summary records of the First Committee	

SECOND COMMITTEE

General documents

TD/II/C.2/1	Allocation of agenda items: letter dated 2 February 1968 from the President of the Conference addressed to the Chairman of the Second Committee	
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Limited documents

TD/II/C.2/L.1 and Corr.1	List of documents relevant to the work of the Second Committee: note by the UNCTAD secretariat	
TD/II/C.2/L.2 and Corr.1	Organization of the Committee's work: note by the Chairman	
TD/II/C.2/L.3	Comparison of main elements outlined in documents TD/38 and TD/56 in respect of a general system of preference: note by the secretariat of UNCTAD	11 (b)
TD/II/C.2/L.4 and Rev.1	Membership of the Second Committee	
TD/II/C.2/L.5	Basic principles and procedures governing an agreement on the general system of preferences draft submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo, (Brazzaville) Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia	11 (b)
TD/II/C.2/L.6 and Add.1, Add.1/Corr.1, Add.2, Add.3, Add.4,	Draft report of the Second Committee — contents and introduction Draft report: chapter I Draft report: chapter II Draft report: chapter III Draft report: annex V, list of documents issued for and during the deliberations of the Second Committee	 11 11 11

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/II/C.2/L.7	A 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 — restrictive business practices: draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia	11 (c)
TD/II/C.2/L.8	A programme for export development for expansion and diversification of exports from developing countries — promotion of economic, technical and industrial co-operation to this end: draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia	11 (d)
TD/II/C.2/L.9, Corr.2	A programme for the liberalization and expansion of trade in manufactures and semi-manufactures (including processed and semi-processed primary products) of interest to the developing countries: draft resolution submitted by: Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia	11 (c)
TD/II/C.2/L.10	Statement of financial implications of draft resolutions submitted to the Second Committee	
TD/II/C.2/SR.1-32	Summary records of the Second Committee	

THIRD COMMITTEE

General documents

TD/II/C.3/1	Allocation of agenda items: letter dated 2 February 1968 from the President of the Conference addressed to the Chairman of the Third Committee	
TD/II/C.3/2 *	The role of supplementary financial measures in the development of an international commodity policy: note by the Secretary-General of UNCTAD	12 (c)

Limited documents

TD/II/C.3/L.1	Statement by the Director of the New York Office of UNCTAD at the second meeting of the Third Committee, 8 February 1968	12 (b)
TD/II/C.3/L.2	Organization of the Third Committee's work: note by the Chairman	12
TD/II/C.3/L.3	Note submitted by the delegation of Turkey to the Third Committee	12
TD/II/C.3/L.4	Resolution No.22-29 adopted by the Board of Governors of the International Monetary Fund, in joint session with the Board of Governors of the International Bank for Reconstruction and Development, International Finance Corporation and International Development Association, on 29 September 1967: Stabilization of prices of primary products	12
TD/II/C.3/L.5	Membership of the Third Committee	

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda Item</i>
TD/II/C.3/L.6	General Assembly resolution 2276 (XXII) — (circulated at the request of the delegation of Bulgaria)	12
TD/II/C.3/L.7	Statement by the Director of the New York Office of UNCTAD at the ninth meeting of the Third Committee, 20 February 1968	12 (b)
TD/II/C.3/L.8	Statement by the Director of the New York Office of UNCTAD at the thirteenth meeting of the Third Committee, 23 February 1968	12 (b)
TD/II/C.3/L.9	Statement by the Chairman of the Intergovernmental Group on Supplementary Financing at the sixteenth meeting of the Third Committee, 28 February 1968	12 (c)
TD/II/C.3/L.10	Statement by the Director of the New York Office of UNCTAD at the twenty-second meeting of the Third Committee, 6 March 1968	12 (d)
TD/II/C.3/L.11 and Corr.1	Statement by the representative of the International Monetary Fund at the twenty-third meeting of the Third Committee, 7 March 1968	12 (d)
TD/II/C.3/L.12	Statement by the Director of the New York Office of UNCTAD at the twenty-fourth meeting of the Third Committee, 8 March 1968	12 (e)
TD/II/C.3/L.13	Outflow of financial resources from developing countries: draft resolution submitted by the Delegations of Bulgaria, Hungary and the Union of Soviet Socialist Republics	12 (b)
TD/II/C.3/L.14 and Add.1, Add.2, Add.3, Add.4, Add.5, Add.6	Draft report of the Third Committee — Contents and Introduction Draft report: chapter I Draft report: chapter II Draft report: chapter III Draft report: chapter IV Draft report: chapter V Draft report: chapter VI	12 (b) 12 (b) 12 (b) 12 (b) 12 (c) 12 (d) 12 (e)
TD/II/C.3/L.15	Target: draft proposal submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia	12 (b)
TD/II/C.3/L.16	Terms and conditions of aid: draft proposal submitted by: Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia	12 (b)
TD/II/C.3/L.17 and Corr.1	Extension of the operations of the World Bank and its affiliates: draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia	12
TD/II/C.3/L.18	Supplementary financial measures: draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua,	12 (c)

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
	Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia	
TD/II/C.3/L.19	Improving the terms and conditions of aid: draft resolution submitted by Israel	12 (b)
TD/II/C.3/L.20 and Add.1 and 2	Compensatory financing facility: draft resolution submitted by Brazil, Ceylon, India, Pakistan and Uganda	12 (d)
TD/II/C.3/L.21 and Rev.1 and Rev.1/Add.1	International monetary system: issues relating to development finance and trade of developing countries: Draft resolution submitted by Brazil, Ceylon, India, Indonesia, Iran, Malaysia, Nigeria, Pakistan, Philippines, Syria and Yugoslavia	12 (e)
TD/II/C.3/L.22 and Corr.1 and Add.1	Increasing the flow of international public and private capital: draft proposal submitted by Brazil, Burma, Ceylon, Ethiopia, India, Indonesia, Iran, Lebanon, Malaysia, Mexico, Philippines, Republic of Korea, Sudan, Syria and Yugoslavia	12 (b)
TD/II/C.3/L.23 and Corr.1, Rev.1, Rev.1/Corr.1, Rev.1/Add.1	Increasing the flow of international public and private capital: draft resolution submitted by Afghanistan, Ethiopia, Ghana, India, Ivory Coast, Indonesia, Iran, Malaysia, Nigeria, Pakistan, Philippines, Republic of Korea, Republic of Viet-Nam, Saudi Arabia, Sudan, Syria and Uganda	12 (b)
TD/II/C.3/L.24 and Corr.1 and Add.1	Increasing the flow of international public and private capital: draft resolution submitted by Afghanistan, Indonesia, Iran, Malaysia, Philippines, Republic of Korea, Republic of Viet-Nam and Syria	12 (b)
TD/II/C.3/L.25	Aid volume target: draft proposal submitted by Greece, Spain and Turkey	12 (b)
TD/II/C.3/L.26	Growth, development finance and aid (synchronization of international and national policies): proposal submitted by: Brazil, Ceylon, Greece, Netherlands, Philippines, Sweden, Tunisia, Turkey and Uganda	12
TD/II/C.3/L.27 and Corr.1, and Add.1	Special measures concerning development finance and technical assistance: draft resolution submitted by Afghanistan, Algeria, Argentina, Cameroon, Central African Republic, Ceylon, Chad, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Ethiopia, Gabon, Guatemala, Guinea, Indonesia, Iran, Ivory Coast, Kenya, Liberia, Libya, Madagascar, Mauritania, Nigeria, Philippines, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Yugoslavia and Venezuela	12 (b)
TD/II/C.3/L.28 and Corr.1 and Add.1	Special measures concerning development finance and technical assistance: draft resolution submitted by Afghanistan, Algeria, Argentina, Cameroon, Central African Republic, Ceylon, Chad, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Ethiopia, Gabon, Guatemala, Guinea, Indonesia, Iran, Ivory Coast, Kenya, Liberia, Libya, Madagascar, Mauritania, Nigeria, Philippines, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Yugoslavia and Venezuela	12 (b)
TD/II/C.3/L.29	Private foreign investment: note by the Chairman	12 (b)
TD/II/C.3/L.30	Improving the mobilization of internal resources: note by the Chairman	12 (b)
TD/II/C.3/L.31	Statement of financial implications of draft resolutions under consideration in the Third Committee	12
TD/II/C.3/L.32 and Corr.1 and Add.1	Improving the terms and conditions of aid — alleviating the problems of external indebtedness: note by the Chairman	12 (b)
TD/II/C.3/L.33	Compensatory financing facility: note by the Chairman	12 (d)
TD/II/C.3/L.34	International monetary system: issues relating to development finance and trade of developing countries: note by the Chairman	12 (b)
TD/II/C.3/L.35	World Bank Group matters: note by the Chairman	12
TD/II/C.3/L.36	Supplementary financial measures: note by the Chairman	12 (c)
TD/II/C.3/L.37	Aid volume target: note by the Chairman	12 (b)
TD/II/C.3/SR.1-29	Summary records of the Third Committee	

FOURTH COMMITTEE

General documents

TD/II/C.4/1	Allocation of agenda items: letter dated 2 February 1968 from the President of the Conference to the Chairman of the Fourth Committee	
TD/II/C.4/2	Training of personnel in the economics and management of shipping: note by the UNCTAD secretariat	13 (c)
TD/II/C.4/3	Note by the Department of Economic and Social Affairs on its activities in the field of tourism	13 (a)

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
<i>Limited documents</i>		
TD/II/C.4/L.1 and Add.1	Organization of the Committee's work: note by the Chairman	
TD/II/C.4/L.2	Establishment of consultation machinery in the field of shipping: draft resolution submitted by Brazil, Ceylon, Chile, Ghana, Hungary, India, Indonesia, Iran, Ivory Coast, Malaysia, Pakistan, Thailand and Yugoslavia	13 (d)
TD/II/C.4/L.3 and Rev.1 and 2	Membership of the Fourth Committee	
TD/II/C.4/L.4 and Rev.1	International legislation on shipping: note by the Chairman	13 (a)
TD/II/C.4/L.5 and Corr.1	International legislation on shipping: statement by the representative of the Secretary-General of UNCTAD, made at the sixteenth meeting of the Fourth Committee, 21 February 1968	13 (a)
TD/II/C.4/L.6 and Rev.1	Establishment of consultation machinery in the field of shipping: draft resolution submitted by the Chairman	13 (d)
TD/II/C.4/L.7 and Corr.1	Regular sessions of the Committee on Shipping: draft resolution submitted by the Chairman	13 (a)
TD/II/C.4/L.8 and Corr.1, Add.1, Add.2, Add.3, Add.4, Add.5, Add.6, Add.7	Draft report of the Fourth Committee: contents and introduction Draft report: chapter I Draft report: chapter II Draft report: chapter III Draft report: chapter IV Draft report: chapter V Draft report: chapter VI Draft report: annex III — List of documents issued for and during the deliberations of the Fourth Committee	13 (d) 13 (b) 13 (c) 13 (a) 13 (e) 13 (a) 13
TD/II/C.4/L.9 and Corr.1, Rev.1	Freight rates and conference practices: draft resolution submitted by Chile	13 (b)
TD/II/C.4/L.10	Substantive support for technical assistance: draft resolution submitted by Chile	13 (a)
TD/II/C.4/L.11 and Corr.1	Development of merchant marines of developing countries: draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia	13 (c)
TD/II/C.4/L.12	Special problems of the land-locked countries: note by the UNCTAD secretariat	13
TD/II/C.4/L.13	Development of ports: draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia	13 (c)
TD/II/C.4/L.13/Rev.1 and Corr.1	Development of ports: draft resolution submitted by Chile and Denmark	
TD/II/C.4/L.14	Terms of shipment: draft resolution submitted by: Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia	13 (b) and 13 (c)

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/II/C.4/L.15	International legislation on shipping: draft resolution submitted by Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia	13 (a)
TD/II/C.4/L.16	Insurance: draft resolution submitted by: Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia	13 (a)
TD/II/C.4/L.17	Tourism: draft resolution submitted by: Afghanistan, Algeria, Argentina, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia	13 (a)
TD/II/C.4/L.18	International legislation on shipping: statement by H.E. Mr. Emmanuel Kodjoe Dadzie, Chairman of the first session of the United Nations Commission on International Trade Law, to the second session of the United Nations Conference on Trade and Development, New Delhi, at its 66th plenary meeting, 12 March 1968	13 (a)
TD/II/C.4/L.19 and Add.1	Statement of financial implications of draft resolutions under consideration by the Fourth Committee.	13
TD/II/C.4/L.20	Terms of shipment: draft resolution submitted by Australia, Brazil, France and Ivory Coast	13 (b) and 13 (c)
TD/II/C.4/L.21	Freight rates and conference practices: draft resolution submitted by Chile, United Kingdom of Great Britain and Northern Ireland and the Union of Soviet Socialist Republics	13 (b)
TD/II/C.4/L.22	Tourism: draft resolution submitted by Ceylon, Chile, India, Indonesia, Mexico, Netherlands, Ukrainian Soviet Socialist Republic and United Republic of Tanzania	13 (a)
TD/II/C.4/SR.1-26	Summary records of the Fourth Committee	

FIFTH COMMITTEE

General documents

TD/II/C.5/1	Allocation of agenda items: letter dated 2 February 1968 from the President of the Conference to the Chairman of the Fifth Committee
-------------	--

Limited documents

TD/II/C.5/L.1 and Add.1	List of documents relevant to the work of the Fifth Committee: note by the UNCTAD secretariat	
TD/II/C.5/L.2 and Corr.1 and Rev.1	Membership of the Fifth Committee	
TD/II/C.5/L.3	Introductory statement by the Director of the Division for Trade with Socialist Countries	9 (c)
TD/II/C.5/L.4	Introductory statement by the Director of the Research Division	9 (d)

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/II/C.5/L.5	Impact of the regional economic groupings of the developed countries on international trade, including the trade of developing countries: draft recommendation submitted by Bulgaria	9 (d)
TD/II/C.5/L.6	Introductory statement by the Director of the Research Division	9 (e)
TD/II/C.5/L.7	Trade relations among countries having different economic and social systems including problems of East-West trade, paying attention particularly to the trade interests of developing countries and taking into account the work in this field of other United Nations organs, including the regional economic commissions — Draft recommendation submitted by: Bulgaria, Byelorussian SSR, Czechoslovakia, Hungary, Poland, Romania, Ukrainian SSR and Union of Soviet Socialist Republics	9 (c)
TD/II/C.5/L.8 and Corr.1	Draft report of the Fifth Committee: contents and introduction	
Add.1,	Draft report: chapter I	9 (b)
Add.2,	Draft report: chapter II	9 (c)
Add.3,	Draft report: chapter III	9 (d)
Add.4	Draft report: chapter IV	9 (e)
TD/II/C.5/L.9 and Corr.1 and 2	Steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development: draft resolution submitted by Afghanistan, Algeria, Argentina, Bolivia, Brazil, Burma, Cambodia, Cameroon, Central African Republic, Ceylon, Chile, Colombia, Congo (Democratic Republic of), Cyprus, Ecuador, Ethiopia, Gabon, Ghana, Guinea, Guyana, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malawi, Malaysia, Mauritania, Mexico, Nepal, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Somalia, Southern Yemen, Sudan, Syria, Thailand, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia	9 (b)
TD/II/C.5/L.10 and Corr.1 and 2	Trade relations among countries having different economic and social systems including problems of East-West trade, paying attention particularly to the trade interests of developing countries and taking into account the work in this field of other United Nations organs, including the regional economic commissions: draft resolution submitted by: Afghanistan, Algeria, Argentina, Bolivia, Brazil, Burma, Cambodia, Cameroon, Central African Republic, Ceylon, Chile, Colombia, Congo (Democratic Republic of), Cyprus, Ecuador, Ethiopia, Gabon, Ghana, Guinea, Guyana, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malawi, Malaysia, Mauritania, Mexico, Nepal, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Somalia, Southern Yemen, Sudan, Syria, Thailand, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia	9 (c)
TD/II/C.5/SR.1-26	Summary records of the Fifth Committee	

G

WORKING GROUP DOCUMENTS

WORKING GROUP I

TD/II/WG.I/L.1	Organization of work: note by the Chairman	9 (f)
TD/II/WG.I/L.2	Statement by the representative of the Holy See made on 29 February 1968	9 (f)
TD/II/WG.I/L.3 and Rev.1,	Draft report of Working Group I : first part	
Add.1	Draft report: second part	
TD/II/WG.I/L.4 and Rev.1	Transfer of technology, including know-how and patents: draft resolution submitted by Brazil, Chile, India and Pakistan	9 (h)

WORKING GROUP II

TD/II/WG.II/L.1 and Corr.1	Background documents for Working Group II: note by the UNCTAD secretariat	15
TD/II/WG.II/L.2	Organization of work: note by the Chairman	14
TD/II/WG.II/L.3	Statement made by the representative of the Secretary-General at the first meeting of the Working Group II, 23 February 1968	14

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/II/WG.II/L.4	Organization of work	14
TD/II/WG.II/L.5	Regional payments arrangements in the ECAFE region — recommendations of the Seminar on Financial Aspects of Trade Expansion: note by the UNCTAD secretariat	14
TD/II/WG.II/L.6	Draft report of Working Group II on item 14: contents and introduction	14
and Add.1,	Draft report: chapter I	14
Add.2,	Draft report: chapter II	14
Add.2/Rev.1,		
Add.3	Draft report: chapter III	14
TD/II/WG.II/L.7	Organization of work: note by the Chairman	14 and 15
TD/II/WG.II/L.8	Draft report of Working Group II on item 15	15
TD/II/WG.II/L.9 and Corr.1	Statement by the representative of the Secretary-General at the eleventh meeting of Working Group II, 8 March 1968	15
TD/II/WG.II/L.10 and Corr.1	Draft declaration of support by developed market-economy countries on trade expansion and regional economic co-operation among developing countries, submitted by the representative of Sweden at the eighth meeting of Working Group II on behalf of: Australia, Austria, Belgium, Denmark, Federal Republic of Germany, Finland, France, Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland and United States of America	14
TD/II/WG.II/L.11	Elements for inclusion in a declaration by the second session of the Conference with respect to trade expansion and economic integration among developing countries, submitted by the representative of the Ivory Coast at the tenth meeting of the Working Group II on behalf of Algeria, Argentina, Bolivia, Brazil, Burma, Burundi, Ceylon, Chad, Chile, Colombia, Congo (Democratic Republic of), Guatemala, India, Iran, Iraq, Ivory Coast, Liberia, Madagascar, Malaysia, Mexico, Nigeria, Pakistan, Philippines, Republic of Korea, Republic of Tanzania, Syria, Tunisia, Uganda, United Arab Republic, Uruguay and Venezuela	14
TD/II/WG.II/L.12	Elements for inclusion in part of a declaration of UNCTAD II on item 14 referring to institutional arrangements, submitted by: Algeria, Argentina, Bolivia, Brazil, Burma, Burundi, Ceylon, Chad, Chile, Colombia, Congo (Democratic Republic of), Guatemala, India, Iran, Iraq, Ivory Coast, Liberia, Madagascar, Malaysia, Mexico, Nigeria, Pakistan, Philippines, Republic of Korea, Republic of Tanzania, Syria, Tunisia, Uganda, United Arab Republic, Uruguay and Venezuela	14
TD/II/WG.II/L.13	Declaration of support by socialist countries on the question of trade expansion and economic co-operation among the developing countries, submitted by the representative of the USSR on behalf of the Group D countries at the 20th meeting of Working Group II, 19 March 1968	14
TD/II/WG.II/L.14	Statement made by the representative of the Secretary-General introducing the discussion on item 2 of the Working Group's agenda	14
TD/II/WG.II/L.15	Statement made by the representative of the Secretary-General introducing the discussion on item 3 of the Working Group's agenda	14
WORKING GROUP III		
TD/II/WG.III/L.1	List of documents relevant to the work of Working Group III: note by the UNCTAD secretariat	9 (g)
TD/II/WG.III/L.2 and Corr.1	State of ratification of the Convention on Transit Trade of Land-locked States, 1965: note by the UNCTAD secretariat	9 (g)
TD/II/WG.III/L.3 and Corr.1	Statement by the Chairman of Working Group III, Mr. Mohammad Ali Aghassi (Iran) at the first meeting of the Working Group, 28 February 1968	
TD/II/WG.III/L.4 and Rev.1	Special problems of the land-locked countries: proposals of the delegation of Bolivia	9 (g)
TD/II/WG.III/L.5	Special problems of the land-locked countries: draft resolution submitted by Afghanistan, Bolivia, Chad, Laos, Lesotho, Mali, Nepal, Upper Volta, and Zambia	9 (g)
and Add.1	Financial implications of draft resolution in document TD/II/WG.III/L.5	
TD/II/WG.III/L.6	Special problems of the land-locked countries: draft amendments by Chile, India, Iran, Italy, Pakistan, Thailand to the draft resolution contained in document TD/II/WG.III/L.5	9 (g)
and Add.1	Financial implications of draft amendments in document TD/II/WG.III/L.6	9 (g)
TD/II/WG.III/L.7	Special problems of the land-locked countries — Austria, Switzerland, United Kingdom of Great Britain and Northern Ireland and United States of America: amendments to the draft resolution contained in document TD/II/WG.III/L.5	9 (g)

<i>Symbol</i>	<i>Title of document</i>	<i>Agenda item</i>
TD/II/WG.III/L.8	Special problems of the land-locked countries: Austria, Switzerland, United Kingdom of Great Britain and Northern Ireland and United States of America: sub-amendment to the amendments submitted by Chile, India, Iran, Italy, Pakistan, and Thailand (TD/II/WG.III/L.6) to the draft resolution contained in document TD/II/WG.III/L.5	9 (g)
TD/II/WG.III/L.9	Special problems of the land-locked countries: amendments by Czechoslovakia and Hungary, to the draft resolution contained in document TD/II/WG.III/L.5	9 (g)
TD/II/WG.III/L.10 and Add.1	Draft report of Working Group III Draft report: annex	9 (g)
TD/II/WG.III/L.11 and Add.1	Special problems of the land-locked countries: text of draft resolution submitted by the Chairman of the Working Group Financial implications of the draft resolution submitted by the Chairman of the Working Group (TD/II/WG.III/L.11)	9 (g) 9 (g)

CHECK LIST OF RESOLUTIONS, DECISIONS AND DECLARATIONS

<i>No.</i>	<i>Title</i>	<i>Item</i>	<i>Date of adoption</i>	<i>Page</i>
1 (II)	Training of technical and special staff in the field of export promotion (marketing techniques, methods of financing, publicity) and invisible transactions, including shipping, insurance and tourism	16	21 March 1968	55
2 (II)	Establishment of consultation machinery in the field of shipping	13	22 March 1968	45
3 (II)	Freight rates and conference practices	13	22 March 1968	46
4 (II)	Terms of shipment	13	22 March 1968	47
5 (II)	Regular sessions of the Committee on Shipping	13	22 March 1968	47
6 (II)	Substantive support for technical assistance	13	22 March 1968	47
7 (II)	Development of ports	13	22 March 1968	47
8 (II)	Tourism	13	22 March 1968	48
9 (II)	Declaration on the world food problem	9	22 March 1968	28
10 (II)	Measures to inform world public opinion of the work of UNCTAD and of the problems of development	16	22 March 1968	56
11 (II)	Special problem of the land-locked countries	9	23 March 1968	30
12 (II)	Development of merchant marines of developing countries	13	24 March 1968	49
13 (II)	Insurance	13	24 March 1968	50
14 (II)	International legislation on shipping	13	25 March 1968	50
15 (II)	Trade relations among countries having different economic and social systems including problems of East-West trade, paying attention particularly to the trade interests of the developing countries and taking into account the work in this field of other United Nations organs, including the regional economic commissions	9	25 March 1968	32
16 (II)	International action on commodities	10	26 March 1968	34
17 (II)	General agreement on commodity arrangements	10	26 March 1968	36
18 (II)	Co-ordination by UNCTAD of the activities of inter-governmental commodity bodies	10	26 March 1968	37
19 (II)	Studies by international financial institutions on stabilization of commodity prices	10	26 March 1968	37
20 (II)	Guaranteed minimum agricultural income	10	26 March 1968	37
21 (II)	Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to the developed countries	11	26 March 1968	38
22 (II)	Steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development	9	26 March 1968	34
23 (II)	Concerted declaration on trade expansion, economic co-operation and regional integration among developing countries	14	26 March 1968	51
24 (II)	Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development	15	26 March 1968	54
25 (II)	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 — restrictive business practices)	11	27 March 1968	38
26 (II)	Suspension of South Africa	18	27 March 1968	56
27 (II)	Aid volume target	12	28 March 1968	38
28 (II)	Improving the mobilization of internal resources	12	28 March 1978	39
29 (II)	Improving the terms and conditions of aid alleviating the problems of external indebtedness	12	28 March 1968	40
30 (II)	Supplementary financial measures	12	28 March 1968	42
31 (II)	Compensatory financing facility	12	28 March 1968	43
32 (II)	International monetary system — issues relating to development finance and trade of developing countries	12	28 March 1968	43
33 (II)	Increasing the flow of private capital to developing countries	12	28 March 1968	44
34 (II)	Resolution expressing gratitude to the Government and people of India	18	29 March 1968	57
35 (II)	Credentials of representatives to the second session of the United Nations Conference on Trade and Development	6	18 March 1968	28

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