



Twentieth session
Agenda item 37

REPORT OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Annual report of the Trade and Development Board
to the General Assembly

In accordance with General Assembly resolution 1995 (XIX), the Trade and Development Board submits herewith its annual report to the General Assembly. Part one consists of the Board's report on its first session, approved at its second session at the fifty-first meeting on 15 September 1965; part two consists of its report on its second session,^{1/} approved at the resumed second session at the fifty-seventh meeting on 29 October; and part three consists of the Board's report on its special session,^{2/} approved at the fifty-sixth meeting on 29 October. A general statement by the Rapporteur, Mr. Akili B.C. Danieli (United Republic of Tanzania), is contained in an appendix to the report as a whole.^{3/}

^{1/} Issued as document A/6023/Add.1.

^{2/} Issued as document A/6023/Add.2.

^{3/} Issued as document A/6023/Add.3.

PART ONE

REPORT OF THE BOARD ON ITS FIRST SESSION

(Held at United Nations Headquarters from 5 to 30 April 1965, inclusive)

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CHAPTER I. CURRENT ISSUES IN TRADE AND DEVELOPMENT

1. The present chapter endeavours to sum up the main trends of thought on trade and development issues as they emerged during the general debate on items 6 and 7^{1/} with which the Board began its work. The Secretary-General of the Conference made the opening statement, and by the time the debate had been completed fifty-two delegations and a number of specialized agencies and the GATT had presented their views. Since the Second Committee had not been able to meet during the nineteenth session of the General Assembly, this was the first full round of policy statements since the Conference met at Geneva in the spring of 1964, and the summary records of these statements (TD/B/SR.3-12) will form part of the Official Records of the Board. This report would be incomplete without some indication of their content. However, in the interests of brevity, the account that follows deals only with those issues which attracted particular attention, and the reader interested in the details of developments at the national level, as well as in the valuable suggestions made in many of the statements, should turn to the full account in the Official Records.
2. A notable feature of the debate was a general consensus that the search for a universal peace and the continued prosperity of the developed countries were linked to the economic growth of the developing countries. Economic development was thus accepted as a common concern and responsibility of the whole international community. A spirit of mutual understanding prevailed, and all statements were marked by a positive intent and a strong will to achieve lasting results.
3. There was a widespread readiness to move from the area of generalities to that of specific tasks. The major work of the first session of the Board was to devise the means and the instruments needed to set in motion the new machinery resulting from the first session of the Conference on Trade and Development, and to take appropriate measures with respect to the implementation of the recommendations of the Conference pursuant to the Final Act mindful of the duty of the Board to carry out the functions which devolve upon it under General Assembly resolution 1995 (XIX).
4. During the discussion, delegations expressed opinions on major economic and institutional developments since the Conference. A number of delegations informed the Board of steps taken to follow up the results of the Conference.

^{1/} See paragraph 187, below.

5. The adoption of the conciliation procedures provided in General Assembly resolution 1995 (XIX) was hailed by many delegations as a tangible proof that the new requirements of the contemporary world for development were being recognized and that new concepts of international co-operation were taking shape. It was pointed out by some delegations, however, that, in pursuance of the General Assembly resolution, the majority view should be expressed once the possibilities of conciliation had been exhausted.

6. A number of countries, particularly the developing countries, drew attention to the deterioration in world market conditions after the recent short-lived improvements. International prices of primary commodities as a group had weakened, with the result that the fall in the value of exports of primary producing countries tended to be accentuated. Imports continued to rise at a high rate, thus worsening the balance-of-payments position of these countries. The external position of developing countries, it was said, remained as precarious as ever. The work of the Board had therefore acquired additional significance. In that connexion, regrets were expressed by developing countries and the socialist countries of Eastern Europe that certain countries had resorted to restrictive measures in their foreign trade during the past year, contrary to the spirit of the Conference. In the view of these delegations, the results of the Conference, in terms of immediate effects, fell far short of the requirements and expectations of the developing countries.

7. Other delegations, mainly from developed market economy countries, pointed out that there had been significant developments in various fields relating to trade and development. Reference was made to steps which had been taken unilaterally and in the framework of the General Agreement on Tariffs and Trade and the International Bank for Reconstruction and Development in the spirit of the recommendations of the Conference. Special reference was made to discussions on coffee, tin and sugar, and to commodity discussions in connexion with the Kennedy Round. The representatives from the socialist countries of Eastern Europe informed the Board about progress made during the past year in their trade with developing countries and about steps taken to increase this trade further. They pointed out that further improvement in this trade was still hampered by restrictive measures in developed, as well as in some developing, market economy countries. It was urged by the delegations of some developing countries that the Board and its Committee on Manufactures should aim at evolving concrete programmes of action by national

Governments to implement the recommendations adopted without dissent at Geneva in regard to reduction and, if possible, elimination of tariff and non-tariff barriers to products of interest to developing countries. These delegations suggested that a revision was long overdue of the tariff structures of developed countries in relation to the products of developing countries, particularly handmade products and simple manufactures, and in relation to the tariff treatment of raw materials and their processed products with a view to reducing and ultimately eliminating these tariffs.

8. Many delegations emphasized the increasing importance of wider specialization of production, closer trade relations and regional integration between the developing countries and informed the Board of various measures taken in the past year to promote such co-operation in Africa, Asia and Latin America. It was considered that these forms of co-operation should play a significant role in the efforts of developing countries to increase exports and export earnings in the process of their economic development. The low level of trade between developing countries was emphasized, and delegations stressed the main factors responsible for it: lack of diversification in their economies, lack of adequate transport facilities and various obstacles of an institutional character. Tribute was paid to the constructive work done by the regional economic commissions in their respective regions, but it was felt that the time had now come not only for intensification of efforts within the main developing regions but also for the working out of specific plans for closer economic co-operation between these regions. Honest and constructive solidarity among the developing countries was essential to the solution of this problem. It was pointed out, however, that the success of such co-operation, at this stage, would depend greatly on the assistance of international organizations as well as on the favourable attitude of developed countries.

9. Many delegations noted with great satisfaction that a committee of experts would meet to study and report on the question of the establishment of a general and non-reciprocal system of preferences in favour of developing countries. They considered this as a matter of vital importance for the developing countries. Wide concern was expressed over the apparent tendency to create new discriminatory preferential arrangements. Such a development, it was said, might eventually lead to the emergence of a few major trading groups, with negative results for developing countries as a whole. Hopes were expressed that the widespread agreement reached

at the first session of the Conference to liquidate discriminatory preferences, with proper compensation to the countries that had been enjoying these preferences, would not be invalidated. On the other hand, it was recognized that this development was only a reflection of the difficulties facing developing countries. The solution to these difficulties, it was stressed by many delegations, would not be found in discriminatory measures, but in the introduction of general non-discriminatory preferences. This position was not intended to prejudice the question of possible differential assistance to countries in varying stages of development once general preferences were introduced. In the view of a number of delegations, it would be appropriate for the Board to express the hope that no new preferences would be created while a scheme of generalized preferences was under consideration. In the view of some delegations, discriminatory preferences should be replaced by direct financial transfers. Other delegations stated that in their view there had been no general consensus at Geneva that the existing preferential arrangements were to be condemned and said that they were ready to consider any formula that might be suggested, provided that it offered effective solutions to the problem of development and was of a nature to win the approval of all concerned. They stated, among other things, that effective abolition of the existing preferences would only be possible in so far as there was international compensation for the countries enjoying them. Participation in such compensation would not be a matter solely for the countries which now granted preferences. In the opinion of those delegations, moreover, increased financial aid would be valuable, but it had its limitations, and the solution would be closely dependent on satisfactory organization of commodity markets.

10. The functions and the programme of work of the Board and its subsidiary organs and their relationship to other international economic institutions were discussed at length. There was a consensus that the Board, in its capacity as the permanent organ of the Conference, should ensure the continuity of the work of the Conference when the latter was not in session. In the view of some delegations, mainly from the socialist countries of Eastern Europe, the decision to establish within the United Nations the UNCTAD institutional machinery, including the Trade and Development Board, was an important step in the direction of creating a universal international trade organization. The establishment of such an organization, they considered, should be incorporated in the Board's work programme.

11. Delegations from developing countries stated that the Board should be able to invite Governments to adopt, within the framework of their economic policies and in accordance with their economic and social systems, national programmes of practical measures designed to implement those recommendations of the Conference that could be put into effect immediately. An important function of the Board should be to stimulate action and review from time to time progress in respect of the recommendations which had been adopted unanimously or with very little dissent. As regards recommendations on which there had been serious disagreement, it should be the task of the Board to reconcile these differences. Delegations from developing countries pointed out that it was important for the Board to obtain regular information on matters of importance to developing countries in the field of trade and development, and that it was essential that the members of the Conference should present to the Board periodic reports on measures they had taken or contemplated taking. It was suggested that at each session of the Board a separate item should be inscribed on the agenda to provide for such statements. Several delegations referred to the importance of obtaining information from the socialist countries of Eastern Europe regarding their imports from developing countries, both of commodities and of manufactures and semi-manufactures. Such information, it was felt, would enable the Board to assess progress and, if necessary, to stimulate further action.

12. Delegations from developed market economy countries emphasized that the first task of the Board should rather be to undertake an accurate analysis of the recommendations adopted at the first session of the Conference, giving priority to the study of those which had been adopted unanimously. Doubts were expressed regarding the wisdom of too rigid a system of reporting on implementation, since that might tend to turn the organs of the Conference into "screening boards", to the detriment of their other work; and opposition was expressed by some developed countries to any formal requirement on reporting.

13. Two main questions dominated consideration of the subsidiary organs of the Board: the number of main committees to be set up at this session and their terms of reference.^{2/} Strong support was given by delegations from developing countries to the establishment of a committee on shipping, in addition to, and on an equal footing

^{2/} For details on the latter question, see chapter II of the present report.

with, the three committees specifically mentioned in General Assembly resolution 1995 (XIX). In the view of these delegations, such a committee should be in a position to co-ordinate ocean shipping policies, to study and make recommendations, inter alia, on the level and structure of freight rates and merchant marine policies, to promote the establishment of shippers' councils and consultative machinery covering such councils and shipping conferences, and to assist the developing countries in establishing national and regional shipping lines. The socialist countries of Eastern Europe considered that the problems of shipping, which were of great importance to economic development, should be studied by a special organ, which could be set up under the Board. Most delegations from developed market economy countries pointed out that the questions to be dealt with by such a body were of a very complex technical nature. They therefore favoured the creation of an expert group under the Committee on Invisibles and Financing related to Trade. They thought that this would be a more appropriate way of dealing with this subject.

14. The majority of delegations stressed the importance of the terms of reference of the committees for the orientation in useful directions of the implementation of the recommendations of the first session of the Conference pursuant to the Final Act. The delegations from developed market economy countries were of the opinion that in order to achieve this objective, the terms of reference of the committees should be general and wide enough to provide the committees with broad guidelines of a long-term character, leaving matters of a specific nature to their work programmes. The delegations from the developing countries, on the other hand, considered that precise terms of reference should be defined for the committees so as to clarify not only the extent of their competence, but also the specific functions they would be expected to perform in assisting the Board in the matter of policy formulation, co-ordination and implementation in their respective fields. These delegations pointed out that the terms of reference already agreed upon at the first session of the Conference with respect to commodities provided a suitable and comprehensive model to be followed in drawing up the terms of reference of the other committees. Delegations from the socialist countries of Eastern Europe stated that, in their view, the terms of reference should make it possible for the committees to proceed with their work in a manner tending to facilitate the implementation of the

recommendations of the Conference, particularly towards the application of the principles governing trade relations and trade policies conducive to development. They added that the terms of reference should also make it possible to discuss and recommend measures leading to normalization of international trade in all its flows, including trade between countries having different economic and social systems, and to the stabilization of commodity markets.

15. Several delegations drew the attention of the Board to activities which did not fall within the terms of reference of any of the committees it had been proposed to set up. On the other hand, some matters fell within the scope of more than one committee. The wisdom of splitting up the responsibility for the expansion of trade among developing countries between the Committee on Manufactures and the Committee on Commodities was questioned. It was suggested that it might be more efficient to entrust this task to a special group to be constituted either by one of these Committees or by both acting jointly or by the Board itself. Attention was also given to the question of tariffs and non-tariff barriers to trade, which pertained to both the Committee on Commodities and the Committee on Manufactures. The consideration of this question by two separate committees would require appropriate co-ordination.

16. During the discussion of the programme of work, considerable time was devoted to co-operation with other international organizations and to the co-ordination of their activities and those of UNCTAD. It was pointed out that special care would be needed to ensure that the various organizations working in related fields would complement and support one another's activities. In view of the shortage of skilled manpower to cover an increasing number of assignments in the field of trade and development, delegations expressed concern lest it be wasted through avoidable duplication of work. They therefore noted with appreciation that the secretariat of the Conference had established relationships with various departments in the United Nations and with the specialized agencies concerned. Hopes were expressed that steps would be taken at an early date to work out suitable co-ordination arrangements with GATT in order to achieve meaningful progress in matters pertaining to tariffs and trade. It was recognized that GATT had contributed to the expansion of international trade notably by organizing tariff negotiations and tariff reductions under its auspices. Many delegations welcomed the recent efforts of GATT to give new directions to its activities in the field of trade and development.

17. Delegations from developing countries and the socialist countries of Eastern Europe considered that UNCTAD should serve as the appropriate international forum and centre of action through which the restructuring of international trade would be effected in line with the recommendations adopted by the Conference at its first session. They acknowledged that the problems to be tackled by UNCTAD were dealt with in other forums. However, the new machinery that had been established would have to take up the problems of trade and development as an integrated whole and not piecemeal and in a fragmentary manner. The broad problems of trade and development should be within the purview of UNCTAD, which had a wider membership than GATT. It was felt that GATT, which was already fully occupied with work in connexion with the negotiation of agreements of a more limited scope and with the application of the present rules of international trade, was not the appropriate organ to study possible solutions to the problems which were basically of a long-term nature. Delegations from developed market economy countries thought it premature to express concern over the relations between UNCTAD and GATT and to assume that duplication of work was inevitable. They considered that the work of any international organization depended on the wishes of its member Governments. They recalled that the greater number of Contracting Parties to GATT were at present developing countries. They stated that the great majority of the Contracting Parties to GATT had made clear at the recent GATT session that they actively wanted GATT to pursue the tasks it has in hand, which are a logical continuation of the work which has been done in GATT for a number of years past. In this context, they recalled that the Contracting Parties had said emphatically that the new Committee on Trade and Development had got off to a good start. The same delegations stressed, furthermore, the legal and contractual character of GATT; in their view, the recommendations of the Conference did not have the force of legislative acts or of legally binding commitments. The understanding of delegations from developing countries was, on the other hand, that the implementation of recommendations of the Conference included the initiation of action, where appropriate, for the negotiation and adoption of multilateral legal instruments in the field of trade. For example, where the importance and the nature of a recommendation lent itself to such treatment, and unanimity or near-unanimity had been achieved, it might be desirable to translate the recommendation into a formal international agreement. The Board and its subsidiary organs could then provide the machinery for implementation of the agreement.

18. Various delegations expressed satisfaction regarding the implicit recognition of the trade gap concept in the new chapter on Trade and Development in the GATT. It was pointed out, however, that the consensus of the Conference was to ascribe to UNCTAD the initiative of dealing with trade and development problems under this new focus. Developing countries attached importance to calculating the trade gap on an annual basis and to taking appropriate measures to fill it. They thought also that a rate of growth even higher than that envisaged in the United Nations Development Decade was necessary. A 1 per cent inflow of foreign capital, calculated on a net basis, was also advocated by them. There had been some concern about conflicting conclusions reached by the secretariat of the Conference and those of other institutions in regard to the magnitude of the trade gap. Many delegations therefore noted with appreciation the call by the Secretary-General of the Conference for a more analytical approach, including a methodological study, to take account of the individual characteristics of groups of developing countries and of their different degrees of development. Other delegations expressed apprehensions about accepting balance-of-payments projections as a basis for determining the assistance requirements of developing countries, even if the computation methods were improved and a break-down by regions and groups of countries introduced.

19. Many delegations stressed the importance of the formulation by the Board, assisted by its committees, of a well-balanced, comprehensive programme of work. It was suggested that a provisional programme covering the period until the next session of the Conference should be drawn up immediately, and that priorities be established for that purpose. Suggestions were also made that certain projects of a continuing character should be established.

20. Several delegations stressed the contribution the secretariat could make in connexion with the programme of work and drew attention to the proposals in document TD/B/L.3. In the view of certain delegations, the work of the Conference and the Board could not be effective without the support of a unified secretariat. Its research activities and studies would assist the Board in working out specific actions and measures. It was suggested that in order to facilitate this task the main divisions of the secretariat ought to correspond to the terms of reference of the subsidiary bodies of the Board. It was emphasized that the adequate

servicing of the Board and its organs called for the full support by member States of the efforts of the Secretary-General of UNCTAD to establish and maintain an efficient secretariat.

CHAPTER II. TERMS OF REFERENCE OF THE BOARD'S SUBSIDIARY ORGANS

21. At its second meeting, the Board established a Sessional Committee of the whole to consider this matter and to report on its deliberations.

A. GENERAL DISCUSSION IN THE SESSIONAL COMMITTEE

22. The Sessional Committee agreed that a general debate would be useful in preparing the terms of reference of the committees of the Board. A large number of delegations participated in this general discussion, which endeavoured to determine the character of the terms of reference of the committees as distinct from the programme of work.

23. Several delegations, particularly from the developed market economy countries, considered that the terms of reference of the committees should be drawn up in broad and flexible terms so that the committees would have freedom to initiate studies and proposals in their respective fields of competence, and to carry out their work for a relatively long period without requiring amendments to the terms of reference. Frequent amendment of the terms of reference was neither desirable nor practicable. The committees were breaking somewhat new ground in the field of trade and development and should have sufficient dynamism and initiative to take up questions of importance which might arise in the future. Narrowly defined terms of reference could be a handicap in this regard.

24. Several delegations from the developing countries pointed out that, while the terms of reference of the committees should be broad and flexible so that no questions would be raised as to their competence, it was also essential that they should be specific. The recommendations of the first session of the Conference provided a substantial basis for this. The terms of reference should not only encompass the competence of the committees but also their specific functions. A lack of definition of specific functions would result in a lack of clarity and direction for the work of the committees and consequently could prevent them from taking effective action in their respective fields. Particular stress was laid on paragraph 23 of General Assembly resolution 1995 (XIX) which stated that the Board "shall establish such subsidiary organs as may be necessary for the effective discharge of its functions".